Heidelberg PHARMA

Focused Cancer Therapies

- Exclusive ATAC research collaboration with Magenta creates new options in oncology and other indications
- Patent-related license agreement for potential biomarker signed with University of Texas MD Anderson Cancer Center
- Successful talks with the Paul Ehrlich Institute and the FDA on the preclinical program of HPD-101
- Financials in line with planning; sales revenue up significantly

HALF-YEARLY FINANCIAL REPORT 2018

KEY FIGURES

	H1 2018[1] € '000	H1 2017[1] € '000
Earnings		
Sales revenue	1,993	838
Other income	200	252
Operating expenses	(6,906)	(5,236)
of which research and development costs	(4,641)	(3,521)
Operating result	(4,713)	(4,147)
Earnings before tax	(4,713)	(4,259)
Net loss for the period	(4,713)	(4,259)
Earnings per share in €	(0.21)	(0.32)
Balance sheet at end of period		
Total assets	36,900	16,188
Cash and cash equivalents	25,535	5,504
Equity	32,555	10,539
Equity ratio[2] in %	88.2	65.1
Cash flow statement		
Cash flow from operating activities	(4,103)	(3,787)
Cash flow from investing activities	(743)	(186)
Cash flow from financing activities	0	4,977
Employees (number)		
Employees as of the end of the period[3]	65	54
Employees as of the end of the period (full-time equivalents)[3]	59	50

[1] The reporting period begins on 1 December and ends on 31 May.

[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.

LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

We can look back on a successful first half of 2018. After teaming up with Takeda last year, we have now signed another exclusive research agreement for our ATAC technology with Magenta Therapeutics. Magenta is one of the most innovative start-ups in the global biotechnology hub of Cambridge, MA, in the US, with high-quality investors backing the company's recent successful IPO on the NASDAQ stock exchange. The company has set itself the goal of revolutionizing bone marrow transplant for the benefit of patients. One of Magenta's technology partners in pursuing this goal will be Heidelberg Pharma. We are excited about this new partnership, which not only represents another important validation of the potential of our ATAC technology but also opens up completely new application areas to us.

The comprehensive corporate action completed in November 2017 placed us on a stronger financial footing from which we pushed ahead with our preparations for the Phase I trial of our HDP-101 candidate as planned. These preparations are focused on GMP manufacturing of BCMA antibodies at Celonic and the development of the Amanitin synthesis at Carbogen Amcis. We are pleased that this significant shared commitment will soon bring this complex process to a conclusion.

In addition to these production steps, we have also made significant progress with regulatory preparations for the first clinical trial. Important milestones included meetings with the relevant regulatory authorities in Germany and the US. At each of these meetings, we discussed HDP-101's novel mode of action and our preclinical development strategy. Our plans were well received und constructive feedback provided. This early contact is very important for informing the regulatory authorities of our development plans and incorporating their feedback at the outset.

Our Annual General Meeting was held in Heidelberg for the first time on 26 June 2018. We were pleased to meet many of our shareholders in person.

We are heading into the second half of the year full of energy and determination to continue our successful journey over the coming months and present you with more positive news and progress.

Ladenburg, 12 July 2018

Yours sincerely,

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

INTERIM MANAGEMENT REPORT

Reporting period from 1 December 2017 to 31 May 2018

Introduction

Heidelberg Pharma AG is a biopharmaceutical company and oncology specialist. It is the first company to develop the toxin Amanitin into cancer therapies using its proprietary Antibody Targeted Amanitin Conjugate (ATAC) technology and to advance the biological mode of action of the toxin as a novel therapeutic principle. This proprietary technology platform is being applied to develop the Company's proprietary therapeutic ATACs as well as in third-party collaborations to create a variety of ATAC candidates. The proprietary lead candidate HDP-101 is a BCMA ATAC for multiple myeloma and other hematologic conditions.

The Company has entered into partnerships to further develop and commercialize its clinical assets MESUPRON® and REDECTANE®.

Key events in the first six months

Exclusive ATAC research collaboration with Magenta creates new options in oncology and other indications

In early March 2018, Heidelberg Pharma announced an exclusive multi-target research agreement with Magenta Therapeutics. The collaboration will combine Magenta's stem cell platform for antibodies with Heidelberg Pharma's ATAC (Antibody Targeted Amanitin Conjugates) technology to develop up to four exclusive targets. Magenta has an option for an exclusive license for global development and commercialization rights to each of the product candidates resulting from the research collaboration.

As licensor, Heidelberg Pharma receives technology access and exclusivity fees, and payments for providing research support. Under the license agreement, Heidelberg Pharma would be eligible to receive clinical development, regulatory and sales-related milestone payments of up to USD 334 million, if Magenta were to exercise the options on all target molecules and reach all milestones.

Magenta is a US-based biotechnology company headquartered in Cambridge, Massachusetts. It develops therapeutics for the treatment of blood cancer, autoimmune diseases and genetic diseases in order to improve bone marrow transplant currently used as a last option. The Company's goal is to make bone marrow transplant available to more patients and enhance its tolerability.

License agreement with the University of Texas MD Anderson Cancer Center

Also in early March 2018, Heidelberg Pharma and The University of Texas System signed an exclusive license agreement for patent rights as a basis for developing a biomarker test. The agreement concerns diagnostics and therapeutics for patients with RNA polymerase II deletion and the potential development of a personalized treatment of patients with ATAC technology.

Conversion rate of the convertible bonds nearly at 99 %

In November 2017, a mixed non-cash and cash capital increase was completed. In addition to placing 7,484,190 new shares at a price of € 2.60 each, 14,968,380 convertible bonds with a principal amount of € 1.00 each were also placed with existing shareholders of Heidelberg Pharma AG and new, institutional investors. Heidelberg Pharma generated gross issue proceeds of € 14,968,380. The Company will not make any interest payments on the convertible bonds (zero-coupon bonds). The bond creditors have the right to convert the convertible bonds into a maximum of 5,757,069 new shares at a conversion price of € 2.60 per share from 11 January 2018 up to the final maturity date, subject to certain lock-up periods.

In the first six months, nearly 99 % of the mandatory convertible bond was converted, resulting in 5,677,212 new no par value shares that increased the share capital of Heidelberg Pharma AG from € 22,452,570 to € 28,129,782 divided into 28,129,782 no par value bearer shares.

No corporate actions were implemented during the reporting period.

Research and development activities

ADC technology (antibody drug conjugates)

Heidelberg Pharma Research is developing a technology platform for antibody drug conjugates. The core of this technology is to offer new approaches to antitumor therapy by exploiting a previously unused biological mode of action for treatment of cancer.

Heidelberg Pharma uses the toxin Amanitin, a member of the amatoxin group of natural poisons occurring in the death cap mushroom (Amanita phalloides), among others. By inhibiting RNA polymerase II, Amanitin triggers natural cell death, or apoptosis. This toxic compound is chemically combined with antibodies so that it can be used for therapy. The resulting products – so called ATACs (Antibody Targeted Amanitin Conjugates) – are designed to transport the cross-linked toxin specifically into the cancer cell. After binding to the tumor cell, the ADC is taken up and releases the toxin within the cell. The released toxin then destroys the tumor cell without affecting healthy tissue.

ATACs are characterized by improved efficacy also in dormant tumor cells, which are rarely reached with existing standard therapies and contribute to tumor recurrence and resistance formation. These ATACs are also being developed to treat tumors that no longer respond to standard chemotherapy or anti-tumor antibodies. Selective treatment of tumors using Amanitin via specific antibody drug conjugates could thus enable much more effective cancer treatments with acceptable side effect profiles.

Scientists at Heidelberg Pharma have succeeded for the first time in synthesizing Amanitin without having to resort to the natural active ingredient and in producing stable quality. Heidelberg Pharma is currently working with an external manufacturer to produce Amanitin in larger quantities in a GMP-compliant process. GMP production of Amanitin is well advanced, though final optimization and purification steps have yet to be completed.

The Company's business model is based on two pillars. One focus is on business-to-business activities where the compound linker technology developed by Heidelberg Pharma is licensed by pharmaceutical and biotechnology companies to make their antibodies more effective in treating tumors. Within this framework, under license agreements, Heidelberg Pharma gives partners not only the licensing rights but also technological support in the manufacture and purification of the conjugates, the production and delivery of the compound, and selected preclinical research.

Several early-stage collaborations with biopharmaceutical partners have been progressing well and in a mutually satisfactory manner. These include the Japanese company Takeda and the US company Magenta Therapeutics.

In addition to partner collaboration activities, Heidelberg Pharma is also focused on developing its proprietary ATAC candidates. The Company is testing in-licensed or third-party antibodies with its toxin linker technology and plans to conduct further research and development activities with these antibodies, if warranted. It is becoming increasingly important to build up the Company's own pipeline to demonstrate the potential of the platform technology with compelling, proprietary data for different indications. The most advanced project is a BCMA-ATAC, though further trial series have also been advanced with the PSMA-ATAC to fight prostate cancer and the CD19-ATAC to fight various hematological tumors.

Project HDP-101 – BCMA-ATAC

The Max Delbrück Center for Molecular Medicine in the Helmholtz Association (MDC) in Berlin has in-licensed various BCMA antibodies.

BCMA (B-cell maturation antigen) is a surface protein that is highly expressed in multiple myeloma cells and to which the selected antibodies specifically bind. Scientists at the MDC developed these BCMA-specific antibodies. Heidelberg Pharma has generated several proprietary ATAC molecules with these antibodies and generated comprehensive preclinical data. Based on these data, Heidelberg Pharma has selected the lead candidate HDP-101, which consists of a BCMA antibody, a specific linker and the Amanitin toxin.

Preclinical data showed that HDP-101 had strong *in vitro* anti-tumor activity and led to complete tumor remission in mouse models for multiple myeloma even at very low doses. In addition, tolerability studies conducted in different *in vivo* models identified a very favorable therapeutic window. Multiple myeloma is a cancer affecting bone marrow and the second most common hematologic cancer; it represents a major unmet medical need where new, more effective therapies are urgently needed. HDP-101 also has potential in other hematologic indications.

As part of a collaboration with the University of Heidelberg and the German Cancer Research Center (DKFZ) led by Dr. Marc-Steffen Raab, the efficacy of HDP-101 was tested on human cells taken from multiple myeloma. In the jointly conducted preclinical study, HDP-101 was examined in particular with regard to non-dividing cancer cells taken from bone marrow. A strong cytotoxic effect was observed including at very low doses of HDP-101, even in cancer cells with a low concentration of BCMA antigens. No toxicity was observed on non-BCMA expressing control cells. This is the first time that the efficacy of ATACs on primary cancer cells taken from patients was demonstrated. The data were published at the 59th ASH Annual Meeting of the American Society of Hematology in December 2017.

The Company continues to push ahead with preparations for formal preclinical and clinical development of HDP-101. The cell line development for the production of antibodies to be used in the manufacture of HDP-101 clinical material was successfully completed in cooperation with Celonic AG, based in Basel, Switzerland. The GMP process for Amanitin synthesis is currently being finalized with a second manufacturer, Carbogen Amcis AG from Bubendorf, Switzerland. Antibodies and the toxin will then be chemically combined in a GMP-compliant process. The first GMP batches of the complete ATAC molecule are expected to be available in the coming weeks, which will allow the schedule for the GLP toxicology studies to be defined and subsequent submission of the application to conduct a clinical trial. These last preclinical compatibility studies with the GMP material in line with special quality standards (GLP) are necessary to guarantee safety for the subsequent human trials.

Heidelberg Pharma has now coordinated the preclinical development strategy for HDP-101 with the regulatory authorities in scientific consultations. For Europe and Germany, two meetings have taken place with the German Federal Institute for Vaccines and Biomedical Drugs, the Paul Ehrlich Institute (PEI).

The US Food and Drug Administration (FDA) is responsible for clinical development and subsequent approval in the United States. For this reason, the project was presented to the FDA and the preclinical development plan was agreed with the FDA at a Type C meeting in the second quarter. The questions to the FDA were submitted in writing and answered in May.

The interaction with both authorities was very positive and constructive. The assumptions and plans for the preclinical development program were confirmed.

Preclinical services business

Heidelberg Pharma also has the expertise and required infrastructure for *in vivo* pharmacology, cell biology, bioanalytics, molecular biology and chemistry, and offers preclinical research services in the fields of cancer, as well as inflammatory and autoimmune diseases. In its research, the Company focuses on early substances (for example, lead structures to be optimized) up to the profiling of preclinical candidates. Both standard models and innovative developments are offered to customers for specified indications. Heidelberg Pharma also develops customer-specific efficacy models upon request to support customers' own research activities.

Clinical portfolio

MESUPRON®

MESUPRON® (INN: Upamostat) is an oral uPA/serine protease inhibitor designed to block the activity of tumor-relevant serine proteases such as uPA, plasmin and thrombin to prevent tumor growth and metastasis.

In 2014, the development and commercialization rights for MESUPRON® were out-licensed to Link Health Co., Guangzhou, China, for China, Hong Kong, Taiwan and Macau, and RedHill Biopharma Ltd., Tel Aviv, Israel, for the rest of the world. All further development and marketing activities for this product candidate will be carried out by these partners.

In January 2016, the Company's partner Link Health submitted an investigational new drug (IND) application to the China Food and Drug Administration (CFDA) for a Phase I dose-escalation study with MESUPRON®. No decision has been made to date.

The Company's partner RedHill conducted further non-clinical trials and analyzed earlier clinical data in order to define the molecular markers and the patient groups for future trials more precisely. As a result of findings from preclinical studies, RedHill has received new, independent patents in the field of combination therapies and for certain autoimmune diseases. In October 2017, RedHill was granted orphan drug status for MESUPRON® by the FDA for the adjuvant treatment of pancreatic cancer. Orphan Drug designation provides various development incentives, including a seven-year marketing exclusivity period for the indication, if approved.

The Company is in regular dialogue with both partners about the further clinical development of MESUPRON®.

RENCAREX®

RENCAREX® (INN: Girentuximab) is a monoclonal antibody that binds to a tumor-specific antigen (carbonic anhydrase IX or "CAIX"). CAIX is expressed in several types of cancer (kidney and colon cancer as well as head and neck tumors). A company is exploring options for licensing and further development. Heidelberg Pharma AG no longer conducts development activities.

REDECTANE® – TLX-250i

REDECTANE® (INN: 124I-Girentuximab) is a radiolabelled form of the antibody Girentuximab, which binds to the tumor-specific antigen CAIX on clear cell renal cell carcinoma. The antibody-based radiopharmaceutical REDECTANE® with PET/CT could support physicians in diagnosing kidney tumors. This could fundamentally change therapy planning for renal cancer patients. REDECTANE® may also potentially be suitable for monitoring response to treatment and for diagnosing other kinds of tumors. A Phase III trial (REDECT) completed at Heidelberg Pharma AG has already shown that REDECTANE® can differentiate between clear cell and non-clear cell renal cell cancer and that PET/CT with REDECTANE® was clearly superior to CT.

In January 2017, an exclusive license agreement for worldwide development and commercialization of REDECTANE® was signed with the Australian company Telix Pharmaceuticals Limited.

Telix is working on a production process for improved manufacturing of the antibody and is currently preparing another confirmatory diagnostic performance study (Phase III).

Telix also plans to develop a therapeutic radioimmunoconjugate (TLX-250t) program based on the Lutetium-177-labeled Girentuximab antibody. TLX-250t will be tested in a clinical trial in combination with immunotherapies.[1]

1 GoetzPartners Research report dated 24 April 2018

Market environment

For further information on the market environment for Heidelberg Pharma's products and product candidates, see pages 21 to 24 of the 2017 Annual Report.

Since the beginning of the year, various clinical and regulatory milestones have been reached on antibody drug candidates (ADCs) for cancer therapy. The brentuximab vedotin (Adcetris®) ADC from Seattle Genetics has been approved by the FDA[2] for Hodgkin's lymphoma and by the EMA[3] for T-cell lymphoma. The company has also begun two clinical trials with the ADCs tisotumab vedotin (Phase II in the cervical cancer indication) and SGN-CD48A (Phase I in the multiple myeloma indication).[4]

The first six months of the year also saw some interesting developments on the transactions side for ADC companies. Immunomedics obtained USD 276 million in follow-on financing in June after submitting an application to the FDA in May for regulatory approval for sacituzumab govitecan (IMMU-132) in the triple negative (TN) breast cancer indication.[5] In January, Royalty Pharma had paid USD 175 million for the rights to royalties from the global net revenue from sacituzumab govitecan.[6] NBE Therapeutics recently concluded a successful round of financing for USD 20 million for development of an anti-ROR1 ADC.[7]

Some ADCs that use alternative toxins experienced setbacks in clinical development. In April, ADC Therapeutics discontinued its clinical development of ADCT-502 in HER2-expressing solid tumors. ADCT-502 is an ADC that contains a pyrrolobenzodiazepine (PBD) toxin. In a Phase I trial, the ADC had been unable to achieve the tolerated dosage required for a therapeutic effect.[8] A Phase I trial with AbbVies SC-007 was another trial using an ADC with PBD toxins that was discontinued due to dose-limiting toxicity.[9]

2 BioCentury Week in Review, Clinical News/Regulatory – FDA approves Adcetris for first-line classical Hodgkin's lymphoma; Mar 23, 2018: https://www.biocentury.com/bc-extra/company-news/2018-03-20/fda-approves-adcetris-first-line-classical-hodgkins-lymphoma

3 Company announcement Seattle Genetics; Jan 22, 2018: http://investor.seattlegenetics.com/phoenix.zhtml?c=124860&p=irol-newsArticle&ID=2327637

4 Company announcements Seattle Genetics: http://investor.seattlegenetics.com/phoenix.zhtml?c=124860&p=irol-news&nyo=0

5 BioCentury Week in Review, Financial News/Completed Offerings – Immunomedics raises $276M on heels of BLA submission: https://www.biocentury.com/bc-extra/financial-news/2018-06-13/immunomedics-raises-276m-heels-bla-submission

6 Company announcement Immunomedics; Jan 08, 2018: https://immunomedics.com/2018/immunomedics-royalty-pharma-announce-royalty-funding-stock-purchase-agreements-totalling-250-million/

7 FierceBiotech – ADC startup NBE raises $20M from Novo Holdings, doubling size of Boehringer-backed B round; June 28, 2018: https://www.fiercebiotech.com/adc-startup-nbe-raises-20m-from-novo-holdings-doubling-size-boeheringer-backed-b-round

8 BioCentury Week in Review, Clinical News/Clinical Results – ADC Therapeutics discontinues HER2 program; April 27, 2018: https://www.biocentury.com/bc-extra/clinical-news/2018-04-25/adc-therapeutics-discontinues-her2-program

9 ADC Review – AbbVie Halts SC-007 Development Program in Gastric Cancer; May 01, 2018: https://adcreview.com/news/cabbvie-hatlts-sc-007-development-program-in-gastric-cancer/

Results of operations, financial position and net assets

The Heidelberg Pharma Group – as of the reporting date comprising Heidelberg Pharma AG and its subsidiary Heidelberg Pharma Research GmbH – reports consolidated figures. The reporting period referred to below concerns the period from 1 December 2017 to the 31 May 2018 balance sheet date (H1 2018). The period-based comparative figures refer to the period from 1 December 2016 to 31 May 2017 (H1 2017). The reporting date-based comparative figures refer to 30 November 2017 or 31 May 2017.

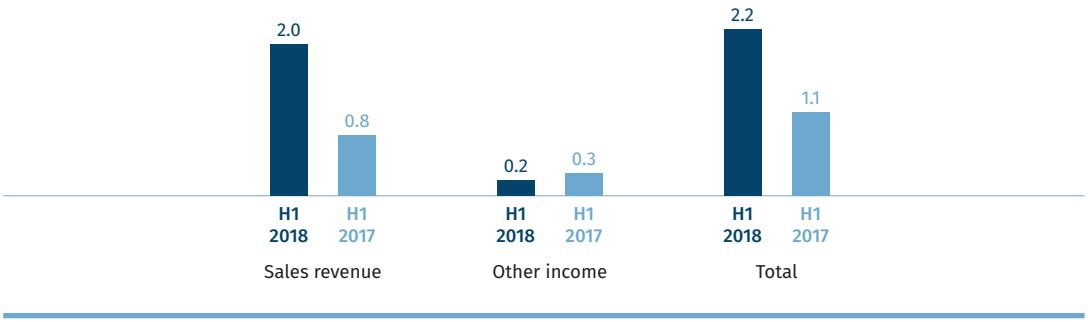
Due to rounding, it is possible that individual figures in this report may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate.

Sales revenue and other income

In the first six months of the 2018 fiscal year, the Heidelberg Pharma Group generated sales revenue and income totaling € 2.2 million, thus doubling the prior-year figure of € 1.1 million.

This change is attributable to significantly higher sales revenue of € 2.0 million (previous year: € 0.8 million), which mainly stems from the research collaborations for the ATAC technology and the service business of Heidelberg Pharma Research.

Income in € million[1]



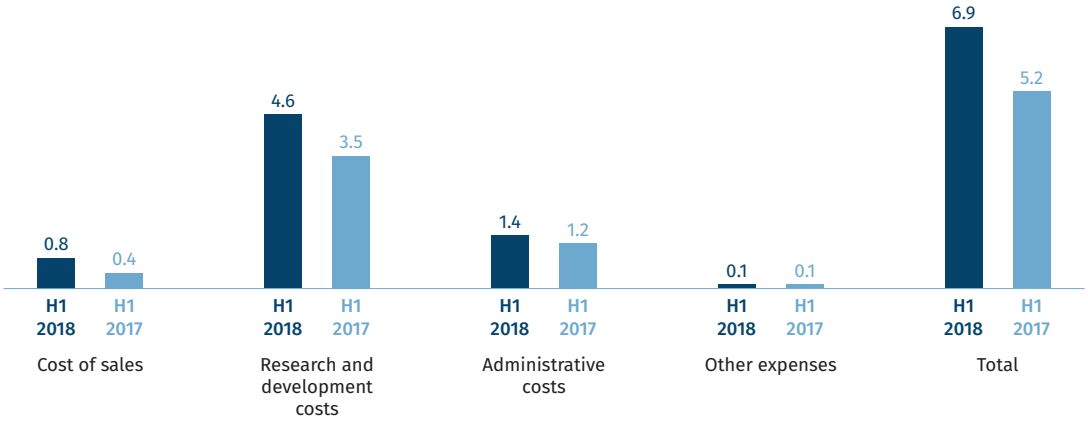
[1] rounded

Other income of € 0.2 million was slightly lower than the previous year's figure of € 0.3 million and mainly includes income from a grant from the Federal Ministry of Education and Research (BMBF) for research projects and the reversal of accrued liabilities that were not needed in the projected amount (€ 0.1 million each). The prior-year figure included € 0.1 million each for these two items and € 0.1 million relating to other matters.

Operating expenses

Operating expenses, including depreciation, amortization and impairment, amounted to € 6.9 million in the reporting period, slightly higher than the previous year (€ 5.2 million).

Operating expenses in € million[1]



[1] rounded

The cost of sales concerns the Group's costs directly related to sales revenue. They were incurred for service business in the reporting period and amounted to € 0.8 million (previous year: € 0.4 million), representing 11 % of operating expenses.

Research and development costs rose year-over-year to € 4.6 million (previous year: € 3.5 million) due to the expansion of cost-intensive external good manufacturing practice (GMP) production. At 67 % of operating expenses, this expense category remained the largest cost item.

Administrative costs of € 1.4 million, which included the costs for the holding activities and the stock exchange listing, increased year-over-year (previous year: € 1.2 million) in the first six months of 2018 and accounted for 20 % of operating expenses.

Other expenses for business development, marketing and commercial market supply activities in the current reporting period were unchanged year-over-year at € 0.1 million and represented 2 % of operating expenses.

Financial result

The Heidelberg Pharma Group posted a break-even financial result in the half-year just ended due to the absence of interest income and expenses. In the same period of the previous year, interest expenses for the shareholder loan granted by dievini resulted in a negative financial result of € –0.1 million.

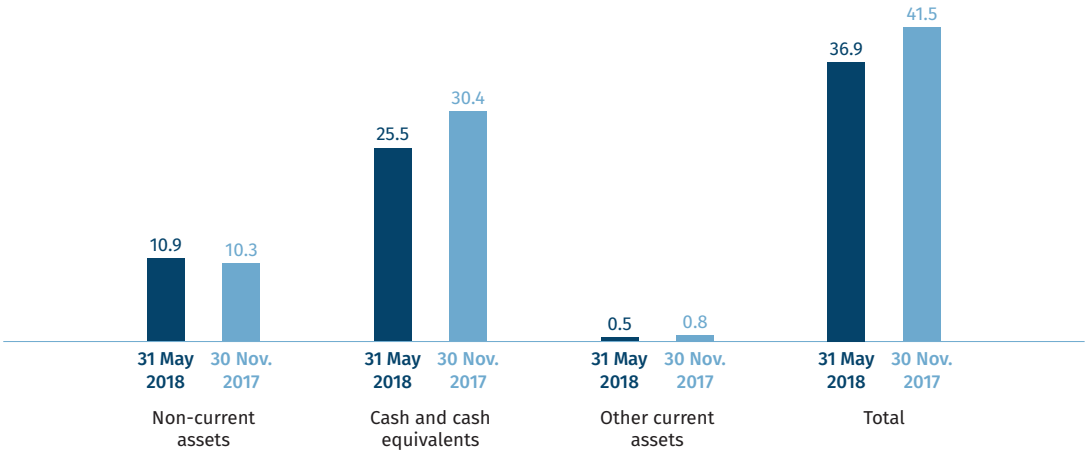
Profit/loss for the period

The Heidelberg Pharma Group's net loss for the first half of the year rose by 9% to € 4.7 million from € 4.3 million for the same period in 2017. Despite higher income, the increase was in line with expectations and was mainly attributable to higher R&D expenses. Loss per share was € 0.21, a year-over-year improvement (previous year: € 0.32) as a result of a higher average number of shares.

Assets

Total assets as of 31 May 2018 amounted to € 36.9 million, down from € 41.5 million as of the 30 November 2017 reporting date.

Balance sheet – assets in € million [1]



[1] rounded

Non-current assets at the end of the reporting period amounted to € 10.9 million, an increase on the previous year (30 November 2017: € 10.3 million) due to PPE investments. Non-current assets include property, plant and equipment (€ 1.7 million, previous year: € 1.3 million), intangible assets (€ 3.0 million, previous year: € 2.8 million), other non-current assets (€ 0.1 million, as in the previous year), and goodwill of Heidelberg Pharma Research (€ 6.1 million, again as in the previous year).

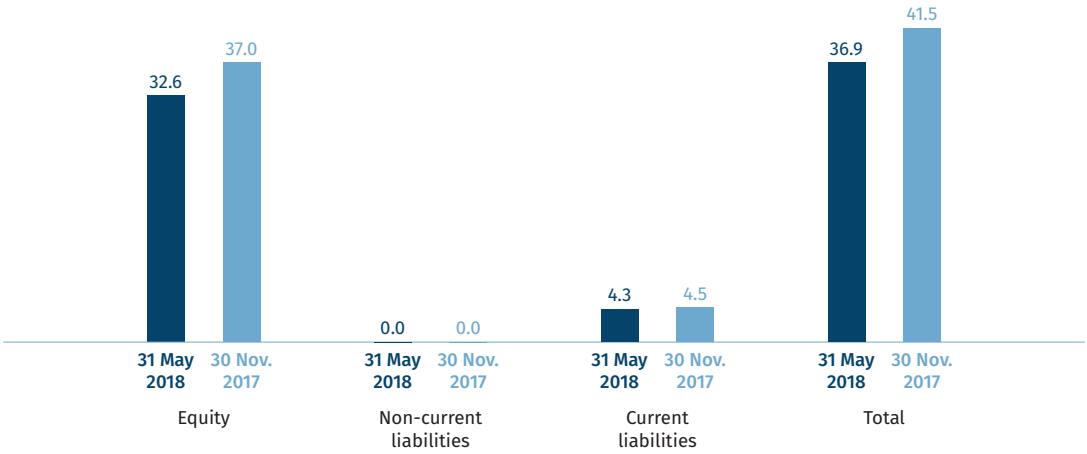
Current assets totaled € 26.0 million (30 November 2017: € 31.2 million). The decrease was due to the outflow of cash triggered by operating activities, resulting in cash and cash equivalents of € 25.5 million as of 31 May 2018 (30 November 2017: € 30.4 million).

Equity

Equity as of the end of the reporting period was € 32.6 million (30 November 2017: € 37.0 million). This corresponded to an equity ratio of 88.2 % (30 November 2017: 89.2 %). Further information can be found in the notes to this report.

Page 21

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



[1] rounded

Liabilities

Non-current liabilities were € 9 thousand at the end of the reporting period, the same as at the 2017 reporting date.

Current liabilities decreased to € 4.3 million as of the end of the reporting period (30 November 2017: € 4.5 million).

While trade payables (€ 0.2 million) decreased compared with 30 November 2017 (€ 1.5 million), provisions (€ 0.4 million) were unchanged at € 0.4 million. In contrast, other current liabilities (obligations for holidays not taken, social security and other taxes, deferred income and liabilities) rose from € 2.6 million to € 3.7 million.

Cash flow statement

Net cash outflow from operating activities of € 4.1 million for the six-month period increased year-over-year (prior-year period: € 3.8 million), reflecting a rise in R&D expenses despite higher income.

Cash outflow from investing activities was € 0.7 million (previous year: € 0.2 million) as a result of an increase in capital expenditures.

There was no net change in cash and cash equivalents triggered by financing activities in the first six months of the 2018 fiscal year. The prior-year period saw a cash inflow from financing activities of € 5.0 million resulting from a capital increase.

Taking into account exchange rate and other effects of € 1 thousand (previous year: € –75 thousand), the net change in cash and cash equivalents amounted to € –4.8 million (previous year: € 0.9 million).

Heidelberg Pharma's average monthly funding requirement in the first six months of the fiscal year – excluding the capital increases – was € 0.8 million (previous year: € 0.7 million).

Cash flow	H1 2018 € million	H1 2017 € million
Cash as of 1 December	30.4	4.6
Net change in cash from operating activities	(4.1)	(3.8)
Net change in cash from investing activities	(0.7)	(0.2)
Net change in cash from financing activities	0	5.0
Exchange rate effect/Other	0	(0.1)
Cash as of 31 May	**25.5**	**5.5**

Employees and compensation system

Including the members of its Executive Management Board, the Heidelberg Pharma Group had 65 employees (59 FTEs) at the close of the reporting period (30 November 2017: 58 employees/52 FTEs; 31 May 2017: 54 employees/50 FTEs). As of 31 May 2018, Heidelberg Pharma Research GmbH had 60 employees and Heidelberg Pharma AG had 5 employees.

Heidelberg Pharma has a performance-related remuneration system for its employees comprising a fixed annual salary and a variable salary component. The 2005, 2011 and 2017 Stock Option Plans, and the newly created 2018 Stock Option Plan, enable employees to participate in the Company's success. Authorization to grant options for 2005 and 2011 has since expired, however, and no new options can now be issued from these plans.

For more information, see section "C. Issue and measurement of stock options" in the notes. Page 21

Report on risks and opportunities

Heidelberg Pharma is exposed to the risks typical for a biotechnology company, namely those arising from the development and production of potential drug and diagnostic candidates for the treatment of cancer. The time between the commencement of drug development and marketing approval usually spans many years. As a result of the focus on the ATAC technology, the Company's own activities were shifted to earlier stages of the value chain and are now exclusively related to preclinical development. This shift entails higher development risks but lower costs. It should be noted that collaboration agreements with development partners, including those concerning early-stage research, can be terminated without cause. The Company is currently unable to finance itself solely through product sales and license revenue and is dependent on funding from equity providers or additional licensees. Risks and opportunities in connection with the Heidelberg Pharma Group's business are described in detail on pages 60 to 71 of the 2017 Annual Report. They remain unchanged unless otherwise noted below.

The risk from a pending lawsuit by Siemens Corporation described in section 7.9, "Other risks" (p. 70) no longer applies as the proceedings have been terminated. For more information, please see the report on post-balance sheet date events.

Report on post-balance sheet date events

Legal dispute with Siemens Corporation

In accordance with the principle of prudence, Heidelberg Pharma AG as of 30 November 2015 recognized a provision in the amount of € 408 thousand for a liability from a rent guarantee to Siemens Corporation, NJ/USA, and reported this matter in the 2016 and 2017 Annual Report. Heidelberg Pharma AG had to assume this rent guarantee in 2010 in connection with the acquisition of WILEX Inc. (Oncogene Science). WILEX Inc. was sold to Nuclea Biotechnologies Inc. in 2013 and merged with Nuclea shortly afterwards. Since bankruptcy proceedings were opened for Nuclea in mid-2016, Siemens Corporation demanded that Heidelberg Pharma AG pay the rent in arrears and a claimed damages vis-à-vis Nuclea in the amount of USD 832 thousand plus interest and legal costs. In May 2017, Siemens Corporation brought an action against Heidelberg Pharma AG for this amount before the United States District Court for the District of Massachusetts, MA, USA.

The court of first instance has ruled that Siemens is entitled to a portion of the claims. Heidelberg Pharma is currently in talks about a final amicable settlement with Siemens. The Company continues to believe that the provision it recognized is adequate.

Annual General Meeting of Heidelberg Pharma AG

On 26 June 2018, the Annual General Meeting of Heidelberg Pharma AG took place. Of the current share capital comprising 28,129,782 no par value bearer shares, 22,615,020 shares were represented with the same number of votes. This means that 80.40 % of the Company's share capital was present at the Annual General Meeting.

In addition to addressing obligatory items such as the approval of the annual financial statements, formal approval of the actions of the members of the Executive Management Board and Supervisory Board and the appointment of the auditor, the Annual General Meeting adopted resolutions on the following changes regarding authorized and contingent capital and the corresponding amendment to the Articles of Association:

- Creation of new Authorized Capital 2018/I
- Authorization to grant subscription rights (stock options) to members of the Executive Management Board of the Company and employees of the Company or affiliates (Heidelberg Pharma 2018 Stock Option Plan); reduction of Contingent Capital II; creation of Contingent Capital 2018/I to satisfy the Heidelberg Pharma 2018 Stock Option Plan
- Approval of the system for the remuneration of the members of the Executive Management Board

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

Outlook

Our focus in 2018 will remain on the development and commercialization of our ATAC technology. The GMP manufacturing process and GLP toxicology will be completed for the Company's own candidate, HDP-101. Once these important milestones in the preparation for the clinical trial of HDP-101 have been reached, an application for a clinical trial will be submitted to the German authorities to treat the first patient with multiple myeloma with HDP-101 in 2019.

In addition, a biomarker program based on MD Anderson's in-licensed patent is to be developed. Initial feasibility studies have already been initiated.

Heidelberg Pharma aims to enter into further cooperation and license agreements based on the improved data from preclinical ATAC trials, the development of a GMP process for Amanitin production and the experience gained with its own development candidate, HDP-101. The objective is to turn ongoing early material transfer agreements into longer-term license agreements. Heidelberg Pharma's ATACs occupy a special position in the ADC environment due to the Amanitin toxin used and its unique mode of action.

The existing collaborations with Takeda and Magenta are going according to plan and will be continued in accordance with the partners' individual development plans. Magenta, which is successfully listed on the NASDAQ technology exchange since June, is using ATACs in different programs targeting either stem or immune cells or both cell types. The primary indication of the programs will be hematologic tumors.

The service business will be maintained, retaining the research capacity the Company needs to deliver positive contribution margins in the field of customer-specific research.

Heidelberg Pharma AG's clinical projects are exclusively managed by partners. The Company's partner Telix may soon be able to begin the second Phase III trial with REDECTANE®, which would generate additional milestone payments.

The guidance for the current fiscal year provided in March 2018 remains unchanged. Sales revenue and income will primarily comprise the sales revenue generated by Heidelberg Pharma Research GmbH and, to a lesser extent, potential milestone payments to Heidelberg Pharma AG.

Financial outlook	Plan 2018 € million	Actual 2017 € million
Sales revenue and other income	3.0–5.0	2.5
Operating expenses	16.0–20.0	13.2
Operating result	(12.0)–(16.0)	(10.8)
Total funding requirement	13.0–17.0	8.6[1]
Funds required per month	1.1–1.4	0.7[1]

[1] Not including the completed capital increases and the issue of the mandatory convertible bond

Due to the financing measures implemented in 2017, Heidelberg Pharma's financing reach is secured into 2020 based on current planning.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Reporting period from 1 December 2017 to 31 May 2018

	H1 2018 €	H1 2017 €
Sales revenue	1,993,136	837,663
Other income	199,845	252,074
Income	**2,192,981**	**1,089,737**
Cost of sales	(767,948)	(399,065)
Research and development costs	(4,641,136)	(3,520,895)
Administrative costs	(1,399,977)	(1,228,591)
Other expenses	(96,738)	(87,913)
Operating expenses	**(6,905,800)**	**(5,236,464)**
Operating result	**(4,712,819)**	**(4,146,727)**
Finance income	0	0
Finance costs	0	(111,900)
Financial result	**0**	**(111,900)**
Earnings before tax	**(4,712,819)**	**(4,258,627)**
Income tax	0	0
Net loss for the period	**(4,712,819)**	**(4,258,627)**
Net currency gain/loss from consolidation	0	0
Other comprehensive income	**0**	**0**
Comprehensive income	**(4,712,819)**	**(4,258,627)**
Earnings per share		
Basic and diluted earnings per share	(0.21)	(0.32)
Average number of shares issued	22,209,639	13,118,190

Rounding of exact figures may result in differences.

Quarterly comparison	Q2 2018 €	Q1 2018 €	Q4 2017 €	Q3 2017 €	Q2 2017 €
Revenue	1,401,165	591,970	507,559	554,931	382,997
Other income	76,254	123,591	346,644	(16,870)	117,982
Operating expenses	**(3,776,089)**	**(3,129,711)**	**(4,155,530)**	**(3,842,595)**	**(2,738,780)**
of which cost of sales	(391,226)	(376,722)	(380,034)	(177,556)	(211,283)
of which research and development costs	(2,566,439)	(2,074,697)	(2,915,822)	(2,886,464)	(1,886,516)
of which administrative costs	(755,524)	(644,454)	(762,069)	(757,318)	(598,810)
of which other expenses	(62,900)	(33,838)	(97,604)	(21,257)	(42,171)
Operating result	**(2,298,669)**	**(2,414,150)**	**(3,301,328)**	**(3,304,534)**	**(2,237,802)**
Financial result	**0**	**0**	**(49,733)**	**(55,950)**	**(55,950)**
Earnings before tax	**(2,298,669)**	**(2,414,150)**	**(3,351,062)**	**(3,360,484)**	**(2,293,752)**
Net loss for the period	**(2,298,669)**	**(2,414,150)**	**(3,351,062)**	**(3,360,484)**	**(2,293,752)**
Comprehensive income	**(2,298,669)**	**(2,414,150)**	**(3,351,062)**	**(3,360,484)**	**(2,293,752)**
Basic and diluted earnings per share	(0.10)	(0.11)	(0.21)	(0.22)	(0.17)
Average number of shares issued	22,209,639	22,209,639	15,708,575	14,968,380	21,069,622

Rounding of exact figures may result in differences.

CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 May 2018 and as of 30 November 2017

Assets	31 May 2018 €	30 Nov. 2017 €
Property, plant and equipment	1,740,565	1,299,623
Intangible assets	2,941,883	2,819,272
Goodwill	6,111,166	6,111,166
Other non-current assets	123,057	51,350
Non-current assets	**10,916,671**	**10,281,411**
Inventories	140,821	178,032
Prepayments	119,050	154,942
Trade receivables	47,219	232,508
Other receivables	141,061	261,880
Cash and cash equivalents	25,535,168	30,381,061
Current assets	**25,983,320**	**31,208,423**
Total assets	**36,899,991**	**41,489,833**

Equity and liabilities	31 May 2018 €	30 Nov. 2017 €
Subscribed capital	28,129,782	22,452,570
Capital reserve	214,356,118	219,789,793
Accumulated losses	(209,931,315)	(205,218,496)
Equity	**32,554,585**	**37,023,866**
Pension obligations	8,803	8,803
Non-current liabilities	**8,803**	**8,803**
Trade payables	238,418	1,501,090
Provisions	408,201	408,201
Other current liabilities	3,689,984	2,547,873
Current liabilities	**4,336,603**	**4,457,164**
Total equity and liabilities	**36,899,991**	**41,489,833**

Rounding of exact figures may result in differences.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

Reporting period from 1 December 2017 to 31 May 2018

	Shares	Subscribed capital €	Corporate actions/ premium €	Stock options €	Accumulated losses €	Total €
			Capital reserve			
			187,537,023	3,539,969		
As of 1 December 2016	12,927,564	12,927,564	191,076,991		(194,248,324)	9,756,231
Measurement of stock options				63,986		63,986
Net loss for the year					(4,258,627)	(4,258,627)
Capital increase after accounting for capital procurement costs	2,040,816	2,040,816	2,936,661			4,977,477
Net change in equity						782,836
			190,473,683	3,603,954		
As of 31 May 2017	14,968,380	14,968,380	194,077,638		(198,506,951)	10,539,067
			216,121,501	3,668,292		
As of 1 December 2017	22,452,570	22,452,570	219,789,793		(205,218,496)	37,023,866
Measurement of stock options				243,538		243,538
Net loss for the year					(4,712,819)	(4,712,819)
Exercise of the mandatory convertible bond	5,677,212	5,677,212	(5,677,212)			
Net change in equity						(4,469,281)
			210,444,289	3,911,829		
As of 31 May 2018	28,129,782	28,129,782	214,356,118		(209,931,315)	32,554,585

Rounding of exact figures may result in differences.

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

Reporting period from 1 December 2017 to 31 May 2018

	H1 2018 €	H1 2017 €
Net loss for the year	**(4,712,819)**	**(4,258,627)**
Adjustment for items in the statement of comprehensive income		
Stock options	243,538	63,986
Depreciation, amortization and impairment losses	179,630	252,127
Exchange rate effects	(576)	0
Finance costs	0	111,900
	422,592	**428,013**
Changes in balance sheet items		
Inventories	37,210	46,810
Prepayments	35,892	15,074
Trade receivables	185,289	(206,687)
Other receivables	120,819	37,849
Other non-current assets	(71,707)	(19,928)
Trade payables	(1,262,672)	393,069
Other liabilities	1,142,111	(261,233)
Financial liabilities	0	75,222
	186,942	**80,177**
Cash flow from operating activities	**(4,103,286)**	**(3,750,438)**
Finance costs paid	0	(36,679)
Net cash flow from operating activities	**(4,103,286)**	**(3,787,116)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(587,728)	(185,846)
Purchase of intangible assets	(155,456)	0
Net cash flow from investing activities	**(743,183)**	**(185,846)**
Cash flow from financing activities		
Proceeds from the issue of the mandatory convertible bond	0	4,999,999
Capital procurement costs for the issue of the mandatory convertible bond	0	(22,522)
Net cash flow from financing activities	**0**	**4,977,477**
Influence of exchange rate and other effects on cash and cash equivalents	576	(75,221)
Net change in cash and cash equivalents	**(4,845,893)**	**929,293**
Cash and cash equivalents		
at beginning of period	30,381,061	4,574,382
at end of period	25,535,168	5,503,675

Rounding of exact figures may result in differences.

SELECTED NOTES

A. General disclosures

This half-yearly financial report as of 31 May 2018 was prepared in accordance with the same accounting policies as the consolidated financial statements as of 30 November 2017. The interim consolidated financial statements include the Group's parent, Heidelberg Pharma AG, Ladenburg, Germany, as well as its subsidiary Heidelberg Pharma Research GmbH, Ladenburg, Germany – jointly, the "Group".

The Company's results of operations, financial position and net assets, as well as key items in these financial statements, are explained in detail in the interim management report. The Company's business activities are not subject to seasonal or macroeconomic influences.

The interim consolidated financial statements for the first half of fiscal year 2018 that appear in this report were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed and adopted by the European Union, specifically in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and in compliance with the Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

These interim financial statements are abbreviated, do not include all the information and disclosures required for consolidated financial statements as of the end of a fiscal year, and should be read in the context of the IFRS consolidated financial statements as of 30 November 2017 published for the 2017 fiscal year. They were not subjected to a review by an auditor. Pursuant to the Company's Declaration of Conformity issued in February 2018 concerning Section 7.1.2 of the German Corporate Governance Code, both the interim financial statements and the interim management report for the Group were made available to the Supervisory Board's Audit Committee before being published. This interim report was approved for publication by the Executive Management Board of Heidelberg Pharma AG on 12 July 2018.

B. Change in equity

The exercise of (mandatory) convertible bonds in the first half of the fiscal year resulted in 5,677,212 new no par value shares that increased the share capital of Heidelberg Pharma AG from € 22,452,570 to € 28,129,782, divided into 28,129,782 no par value bearer shares.

Equity of the Heidelberg Pharma Group at the end of the reporting period was € 32.6 million (30 November 2017: € 37.0 million). Capital reserves were € 214.4 million (30 November 2017: € 219.8 million) and the losses accumulated totaled € 209.9 million (30 November 2017: € 205.2 million). The equity ratio of the Heidelberg Pharma Group was 88.2 % (30 November 2017: 89.2 %).

C. Issue and measurement of stock options

Similar to the approach described in the Annual Report as of 30 November 2017, Heidelberg Pharma's obligation resulting from the issuance of options under the 2005 and 2011 Stock Option Plans and from the issuance of options under the 2017 Stock Option Plan in the first half of the year were reported pursuant to IFRS 2 in the reporting period just ended. The estimated number of options expected to become exercisable is reviewed at each reporting date. The effects of any adjustments to be considered regarding

initial estimates are recognized in the statement of comprehensive income as well as by adjusting equity accordingly.

The measurement of the stock options in the first six months of the 2018 fiscal year entailed staff costs of € 244 thousand (previous year: € 64 thousand).

A total of 653,430 stock options were issued under the 2017 Stock Option Plan in the 2018 fiscal year until the 31 May reporting date, of which 201,200 were issued to members of the Executive Management Board and 452,230 to employees. No stock options were exercised, and 5,180 stock options were returned because employees left the Company.

Heidelberg Pharma issued a total of 2,500,587 subscription rights to employees and members of the Executive Management Board under the 2005, 2011 and 2017 Stock Option Plans, of which 1,302,557 options (538,700 for current or former Executive Management Board members and 763,857 for current or former employees) were outstanding as of the end of the reporting period.

A total of 44,075 options of the Executive Management Board and 47.520 options of employees vested in the first six months of the 2018 fiscal year.

D. Related party transactions

During the reporting period, executives of Heidelberg Pharma AG reported the following transactions subject to disclosure in accordance with Article 19 of the Market Abuse Regulation (Directors' dealings):

Name	Date	Transaction	Marketplace	Price €	Number	Volume €
Dr. Jan Schmidt-Brand (Executive Management Board member)	24 Apr. 2018	Acceptance of stock options granted	OTC	0.00	100,600	0.00
Prof. Dr. Andreas Pahl (Executive Management Board member)	24 Apr. 2018	Acceptance of stock options granted	OTC	0.00	100,600	0.00

The Rittershaus law firm provided legal consulting services for the Heidelberg Pharma Group of approximately € 5 thousand during the reporting period. Rittershaus is a related party because the Chairman of the Supervisory Board, Professor Christof Hettich, is a partner in this law firm.

There were no other related party transactions during the reporting period.

E. Key events after the interim reporting period (report on post-balance sheet date events)

Significant events that occurred after the end of the reporting period are explained in the report on post-balance sheet events that is part of the interim management report. There are currently no further significant events to report.

Page 13

RESPONSIBILITY STATEMENT OF THE EXECUTIVE MANAGEMENT BOARD

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements for the first six months give a true and fair view of the assets, liabilities, financial position and profit or loss of the Heidelberg Pharma Group, and the interim management report includes a fair review of the development and performance of the business and the position of the Heidelberg Pharma Group, together with a description of the material opportunities and risks associated with the expected development of the Heidelberg Pharma Group."

Ladenburg, 12 July 2018

The Executive Management Board of Heidelberg Pharma AG

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

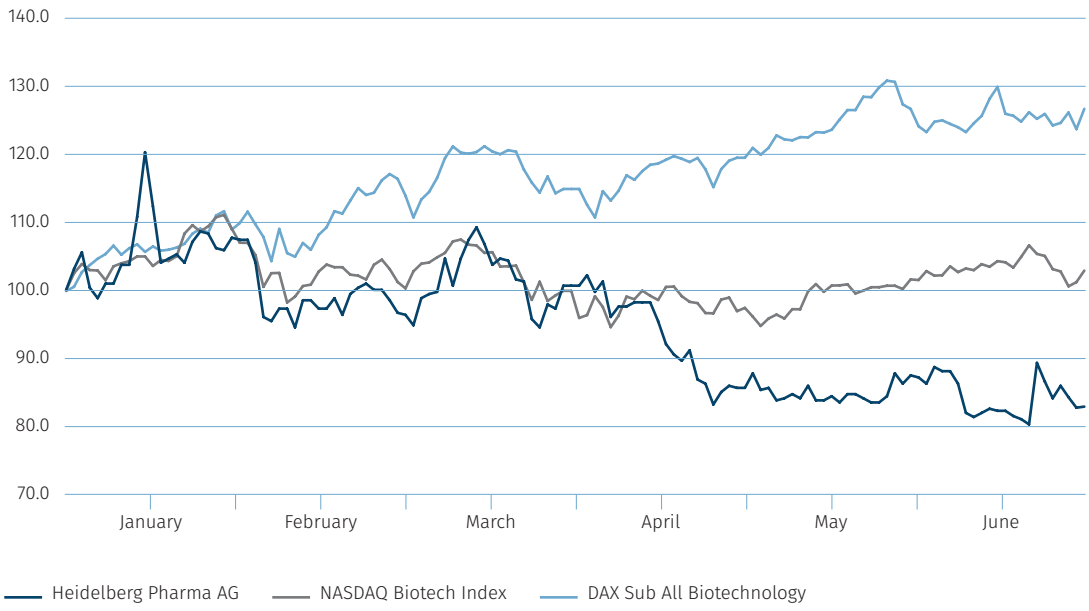
Prof. Dr. Andreas Pahl
Chief Scientific Officer

HEIDELBERG PHARMA'S SHARES

Share price performance in 2018

Heidelberg Pharma's shares opened 2018 at € 3.35 and reached their high for the first half of the year of € 3.98 on 15 January. Significant stock market turbulence in February pushed not only a number of indices but also Heidelberg Pharma shares below the price at the beginning of the year. Similar to the DAXsubsector Biotechnology, the share price recovered during the first quarter due to the successful signing of a license agreement with Magenta. The DAXsubsector Biotechnology accelerated significantly, mainly on the back of very strong performance by the bigger stocks (MorphoSys, Qiagen, Sartorius and Evotec) in the index, which resulted in an overweighting of these stocks. The DAXsubsector Biotechnology Index closed the first half of the year up 26.8 %, substantially outperforming the DAX, which was down just under 4 %, and the NASDAQ Biotechnology Index, which gained only 2.9 %. By contrast, Heidelberg Pharma shares lost ground in the second quarter owing to profit-taking and weak demand. They closed down 17.2 % on 30 June.

Heidelberg Pharma's share price performance, indexed as of 1 January 2018



The average daily trading volume in the first six months of 2018 more than doubled year-over-year to 34,114 Heidelberg Pharma shares (previous year: 14,049 shares). Heidelberg Pharma's market capitalization on 30 June 2018 was € 75.67 million (30 June 2017: € 45.20 million).

Key share figures as of the end of the first half-year	1 Jan. to 30 June 2018	1 Jan. to 30 June 2017
Market capitalization in € million	75.67	45.20
Number of shares issued	28,129,782	14,968,380
Closing price (XETRA) in €	2.690	3.020
High[1] in €	3.980 (15 Jan. 2018)	3.390 (21 June 2017)
Low[1] in €	2.580 (08 June 2018)	2.175 (02 Jan. 2017)
Volatility (260 days[1]) in %	51.534	56.205
Average daily trading volume[1] in shares	34,118	14,049
Average daily trading volume[1] in €	108,736.57	39,549.54

[1] All stock exchanges

Source: Bloomberg

Shareholder structure of Heidelberg Pharma AG	
Dietmar Hopp, parties related to him and companies controlled by them[1]	75.16 %
UCB	4.03 %
Corporate bodies (held directly)	0.76 %
Free float	20.05 %

[1] Also includes 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.

Annual General Meeting 2018

The Annual General Meeting of Heidelberg Pharma AG took place on 26 June 2018 at 11:00 am at the Studio Villa Bosch Conference Center, Wolfsbrunnenweg 33, Heidelberg/Germany. All information is available at http://heidelberg-pharma.com/en/press-and-investors/annual-general-meeting.

@ www.heidelberg-pharma.com

Financial calendar 2018

Date	Type of report/event
11 October 2018	Interim management statement on the first nine months of 2018

Date	Upcoming conferences and events in H2 2018	Venue
3–4 September 2018	Herbstkonferenz	Frankfurt/Main
24–27 September 2018	Baader Investment Conference	Munich
17–18 October 2018	BIO Investor Forum	San Francisco
5–7 November 2018	BIO Europe	Copenhagen
26–28 November 2018	Deutsches Eigenkapitalforum	Frankfurt/Main
1–4 December 2018	60th ASH Annual Meeting & Exposition	San Diego

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
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 89 21 02 28-40
E-mail: katja.arnold@mc-services.eu

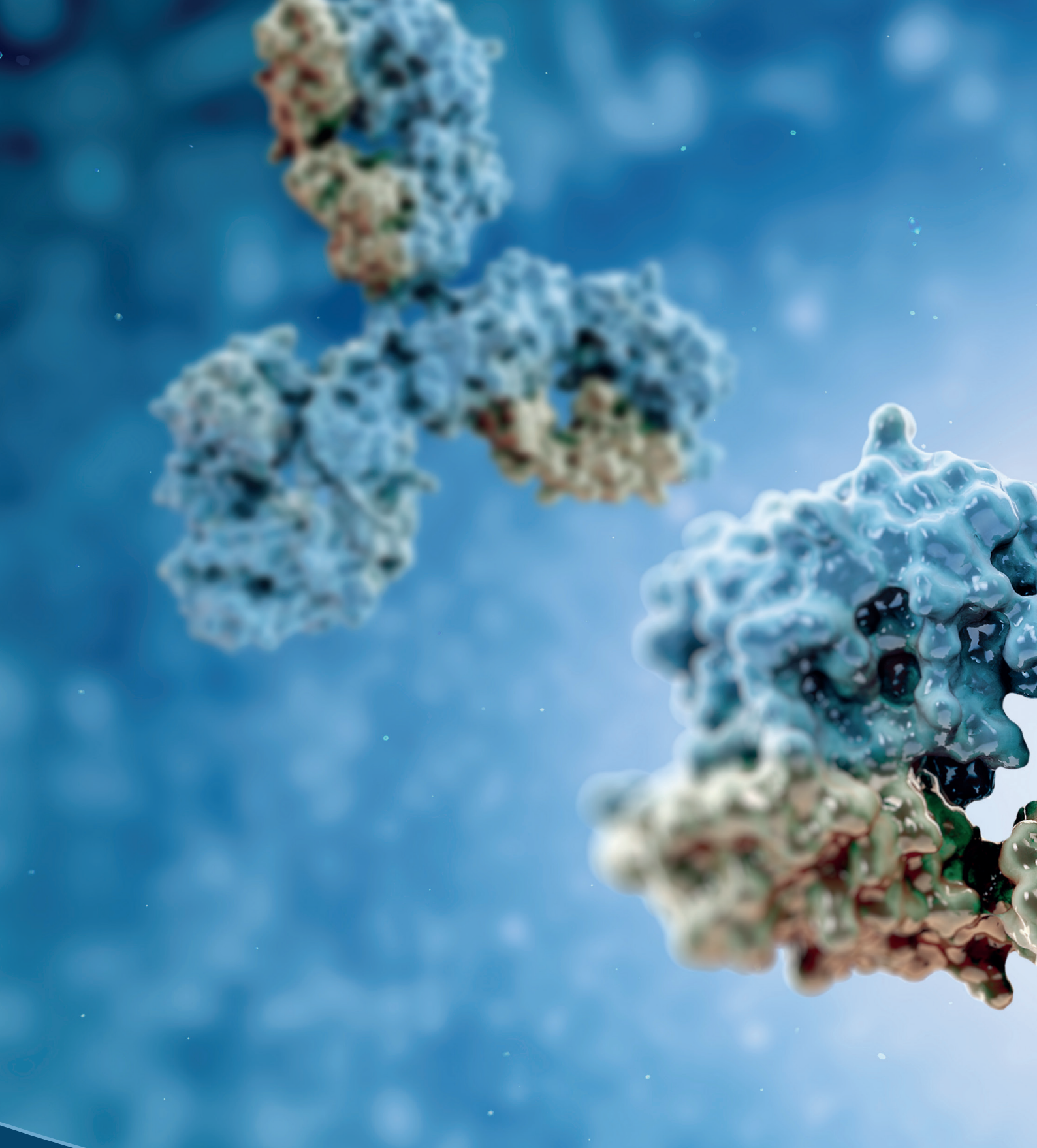
PUBLISHING INFORMATION

Published by:	Heidelberg Pharma AG, Schriesheimer Straße 101, 68526 Ladenburg, Germany, www.heidelberg-pharma.com
Responsible for the project:	Sylvia Wimmer, Heidelberg Pharma AG, and Katja Arnold, MC Services AG

The half-yearly financial report is also published in German and is available for download from our website at www.heidelberg-pharma.com.

The English translation of the half-yearly financial report is provided for convenience only. The German original is definitive.

As of: 11 July 2018



HEIDELBERG PHARMA AG
Schriesheimer Straße 101
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