InflaRx N.V.

Dutch statutory board report and financial statements

for the financial year ended December 31, 2021

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*Constitutes the statutory board (*bestuursverslag*) report as referred to in Section 2:391 DCC

1 INTRODUCTION

1.1 Preparation

In this report, the terms "we", "us", "our" and "the Company" refer to InflaRx N.V. and, where appropriate, its subsidiaries.

This report has been prepared by the Company's board of directors pursuant to Section 2:391 of the Dutch Civil Code ("**DCC**") and also contains (i) the Company's statutory annual accounts within the meaning of Section 2:361(1) DCC and (ii) to the extent applicable, the information to be added pursuant to Section 2:392 DCC. This report relates to the financial year ended December 31, 2021 and, unless explicitly stated otherwise, information presented in this report is as at December 31, 2021.

The statutory board (*bestuursverslag*) report as referred to in Section 2:391 DCC is formed by chapters 2, 3, 4, 7, 8, 9, 10 and OTHER INFORMATION.

The consolidated financial statements enclosed with this report (the "**Consolidated Financial Statements**") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) DCC. The Company financial statements enclosed with this report (the "**Company Financial Statements**") have been prepared in accordance with the accounting principles promulgated by Title 9 of Book 2 DCC.

In this report, unless otherwise indicated, translations from U.S. dollars to Euros (and vice versa) relating to payments made on or before December 31, 2020 were made at the rate in effect at the time of the relevant payment.

The terms "$" or "dollar" refer to U.S. dollars, and the terms "€" or "Euro" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

1.2 Forward-looking statements

This Annual Report contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this Annual Report and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements include, without limitation, statements about the following:

- the timing, progress and results of clinical trials of vilobelimab (previously denominated as “IFX-1”) and any other product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, the costs of such trials and our research and development programs generally;

- the timing and outcome of any discussions or submission of filings for regulatory approval of vilobelimab or any other product candidate, and the timing of and our ability to obtain and maintain regulatory approval of vilobelimab for any indication;

- our ability to leverage our proprietary anti-C5a technology to discover and develop therapies to treat complement-mediated autoimmune and inflammatory diseases;

- our ability to protect, maintain and enforce our intellectual property protection for vilobelimab and any other product candidates, and the scope of such protection;
- whether the Food and Drug Administration (FDA), European Medicines Agency (EMA) or comparable foreign regulatory authority will accept or agree with the number, design, size, conduct or implementation of our clinical trials, including any proposed primary or secondary endpoints for such trials;
- the success of our future clinical trials for vilobelimab and any other product candidates and whether such clinical results will reflect results seen in previously conducted preclinical studies and clinical trials;
- our expectations regarding the size of the patient populations for, market opportunity for and clinical utility of vilobelimab or any other product candidates, if approved for commercial use;
- our manufacturing capabilities and strategy, including the scalability and cost of our manufacturing methods and processes and the optimization of our manufacturing methods and processes, and our ability to continue to rely on our existing third-party manufacturers and our ability to engage additional third-party manufacturers for our planned future clinical trials and potentially for commercial supply of vilobelimab;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;
- our expectations regarding the scope of any approved indication for vilobelimab;
- our ability to defend against costly and damaging liability claims resulting from the testing of our product candidates in the clinic or, if, approved, any commercial sales;
- our ability to commercialize vilobelimab or our other product candidates;
- if any of our product candidates obtain regulatory approval, our ability to comply with and satisfy ongoing obligations and continued regulatory overview;
- our ability to comply with enacted and future legislation in seeking marketing approval and commercialization;
- our future growth and ability to compete, which depends on our retaining key personnel and recruiting additional qualified personnel;
- our competitive position and the development of and projections relating to our competitors in the development of C5a and C5aR inhibitors or our industry.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. You should refer to chapter 2 of this Annual Report for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events,

changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we will file from time to time with the SEC after the date of this Annual Report.

2 RISK FACTORS

2.1 Summary of key risk factors

The principal risks and uncertainties which the Company faces include the risks and uncertainties summarized in this chapter 2.1. See chapter 2.2 of this report for additional detail and additional risks and uncertainties which the Company faces.

Risk Factor Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

- Financial position and need for additional capital.
- Discovery, development and commercialization of our product candidates.
- Dependence on third parties
- Our intellectual property
- Employee matters and managing growth
- COVID-19
- General Risk Factors

The summary describes the main risks to which InflaRx N.V. is exposed. These are not all risks but the core risks that the management considers important in connection with the business operations. To avoid repetition, we refer to chapter 2.2.and 2.3 for a more complete discussion of the risks and countermeasures.

2.2 Risk factors

You should carefully consider the risks and uncertainties described below and the other information in this Annual Report before making an investment in our common shares. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common shares could decline, and you could lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors. Risks related to our financial position and need for additional capital

2.2.1 Risks related to our financial position and need for additional capital.

We have a history of significant operating losses and expect to incur significant and increasing losses for the foreseeable future; we may never achieve or maintain profitability and investors may lose their entire investment.

We incurred net losses of €45.6 million, €34.0 million and €53.3 million for the years ended December 31, 2021, 2020 and 2019, respectively. In addition, our accumulated deficit as of December 31, 2021 was €214.0 million.

We expect our net losses to increase as we advance vilobelimab and other product candidates into additional clinical trials, as well as larger and later-stage clinical trials. To date, we have not commercialized any products or generated any revenues from the sale of products and absent the realization of sufficient revenues from product sales, we may never attain profitability. We have devoted substantially all of our financial resources and efforts to research and development, including preclinical studies and clinical trials. Our net losses may fluctuate significantly from quarter to quarter and year to year. Net losses and negative cash flows have had, and will continue to have, an adverse effect on our shareholders' equity and working capital.

We anticipate that our expenses might increase if and as we:

- continue to develop and conduct clinical trials with respect to our lead product candidate, vilobelimab;
- continue research, preclinical and clinical development efforts for any future product candidates, including IFX002 and INF904;
- actively seek to identify additional research programs and additional product candidates;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials, if any;
- establish sales, marketing, distribution and other commercial infrastructure in the future to commercialize various products for which we may obtain marketing approval, if any;
- require the scale-up and manufacturing of larger quantities of product candidates for clinical development and, potentially, commercialization;
- collaborate with strategic partners to optimize the manufacturing process for vilobelimab, IFX002, INF904 and other future pipeline products;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and help us comply with our obligations as a public company.

Our ability to become and remain profitable depends on our ability to generate revenue. We do not expect to generate significant revenue unless and until we are, or any future collaborator is, able to obtain marketing approval for, and successfully commercialize, one or more of our product candidates. Successful commercialization will require achievement of key milestones, including completing clinical trials of vilobelimab and any other product candidates, obtaining marketing approval for these product candidates, manufacturing, marketing and selling those products for which we, or any of our future collaborators, may obtain marketing approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payors. Because of the uncertainties and risks associated with these activities, we are unable to accurately predict the timing and amount of revenues, and if or when we might achieve profitability. We and any future collaborators may never succeed in these activities and, even if we do, or any future collaborators do, we may never generate revenue that is large enough for us to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our financial condition and operating results to continue to fluctuate from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. In order to succeed, we will need to transition from a company with a research and development focus to a company capable of undertaking commercial activities. We may encounter unforeseen expenses, difficulties, complications and delays, and may not be successful in such a transition.

Our failure to become and remain profitable could depress the market price of our common shares and could impair our ability to raise capital, pay dividends, expand our business, diversify our product offerings or continue our operations. If we continue to suffer losses as we have in the past, investors may not receive any return on their investment and may lose their entire investment.

We will need substantial additional funding, and if we are unable to raise capital when needed, we could be forced to delay, reduce or discontinue our product discovery and development programs or commercialization efforts.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. For example, for the years ended December 31, 2021 and December 31, 2020, we used €39.9 million and €36.5 million, respectively, in net cash for our operating activities, most of which were related to research and development activities. We expect our expenses to increase in connection with our ongoing activities, particularly as we initiate new clinical trials of, initiate new research and preclinical development efforts

for and seek marketing approval for, our current product candidates or any future product candidates, including those that we may acquire. In particular, we will incur significant expenses as we conduct our planned clinical trial program and initiate new research and preclinical development efforts. In addition, if we obtain marketing approval for any of our product candidates, we may incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of a future collaborator. Furthermore, we expect to incur significant additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We plan to use our cash on hand primarily to fund our planned clinical trial programs, to initiate new research and preclinical development efforts and for working capital and other general corporate purposes. We will be required to expend significant funds in order to advance the development of vilobelimab in later stages of clinical development, as well as other product candidates we may seek to develop, including IFX002 and INF904. We are also evaluating vilobelimab for a number of additional indications. Any future development activities for our pipeline product candidates will depend heavily on the clinical and marketing success of vilobelimab in any indication.

Our existing cash and cash equivalents will not be sufficient to fund all the efforts that we plan to undertake or to fund the completion of development of any of our product candidates. Accordingly, we will be required to obtain further funding through public or private equity offerings, debt financings, royalty-based financings, collaborations and licensing arrangements or other sources. We do not have any committed external source of funds, with exception of the recently awarded grant by the German federal government to cover part of the development and manufacturing of vilobelimab for the treatment of severely ill COVID-19 patients. Adequate additional financing may not be available to us on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts and on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of vilobelimab or any of our other product candidates or potentially discontinue operations altogether. Our failure to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategy.

We believe that our existing cash, cash equivalents and marketable securities will enable us to fund our operating expenses and capital expenditure requirements under our current business plan for at least the next 24 months. Changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the scope, progress, timing, costs and results of clinical trials of, and research and preclinical development efforts for, our current and future product candidates, particularly for vilobelimab;
- the number of future product candidates and indications that we pursue and their development requirements;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of preparation for commercialization and commercialization activities for any of our product candidates that receive marketing approval to the extent such costs are not the responsibility of any future collaborators, including the costs and timing of establishing product sales, marketing, distribution and commercial-scale manufacturing capabilities;
- the effect of competing technological and market developments;
- subject to receipt of marketing approval, revenue, if any, received from commercial sales of our current and future product candidates;
- our ability to fulfil the requirements of the German government with regards to the recently awarded government garnt and our ability to earn income from this grant;

- our ability to enter into, and the terms and timing of, any collaborations, licensing or other arrangements;
- our headcount growth and associated costs as we expand our research and development activities;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights including enforcing and defending intellectual property related claims; and
- the costs of operating as a public company.

We have a limited operating history and no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future viability.

We commenced operations in 2008. Our operations to date have been limited to establishing our company, raising capital, developing our proprietary anti-C5a and anti-C5aR technology, identifying and testing potential product candidates and conducting clinical trials of our lead product candidate, vilobelimab. We have not yet demonstrated an ability to successfully complete late-stage clinical trials except for the completed Phase II/III clinical trial of vilobelimab in severely ill COVID-19 patients, obtain marketing approvals, manufacture a commercial-scale product, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development, especially clinical-stage biopharmaceutical companies such as ours. Any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing pharmaceutical products.

We may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving our business objectives. We will eventually need to transition from a company with a development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, you should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

We may be subject to risks in relation to grants funded by the German federal government, which may result in the loss of such grants.

The clinical Phase III study of vilobelimab in severely ill COVID-19 patients and some manufacturing related activities of our product candidate vilobelimab were partly funded by the German federal government through a grant awarded to us in October 2021. The German federal government has, in the case of a special public interest, a non-exclusive and transferable right to use intellectual property generated as part of the funded work. Contracts with third parties relating to the exploitation of the results of the funded work must be disclosed to the agency managing the grant on behalf of the German federal government and any such contracts with parties outside of the European Union require the prior consent of the German federal government to the extent they deviate from a commercial exploitation plan previously approved by the German federal government. Additionally, if we fail to use or commercialize the results of the funded work we may be required to grant third parties licenses to use such results. In certain scenarios, including if we come under the decisive influence of foreign investors, the funded results are exclusively or predominantly used outside Germany without the prior consent of the German federal government or if we are in breach of our obligations under the grant, the grant funding, including funding already received, can be revoked.

We do not expect to the awarded grant of up to €43.7 million to allow us to achieve profitability. Because of the uncertainties and risks associated with the realization of this grant-related income, we

are unable to accurately predict its exact timing and amount and whether we will be able to realize grant-related income at all.

Exchange rate fluctuations may materially affect our results of operations and financial condition.

Potential future expense and revenue may be incurred or derived from outside the European Union, particularly the United States. As a result, our business and share price may be affected by fluctuations in foreign exchange rates between the euro and other currencies, particularly the U.S. dollar, which may also have a significant impact on our reported results of operations and cash flows from period to period. Currently, we do not have any exchange rate hedging arrangements in place.

2.2.2 Risks related to the discovery, development and commercialization of our product candidates.

We are at a very early stage in our development efforts, our approach of targeting C5a or C5aR inhibition is novel and we may not be able to successfully develop and commercialize any product candidates.

Vilobelimab is a novel therapeutic antibody and its potential therapeutic benefit is unproven, and C5a or C5aR inhibition to treat complement-mediated autoimmune and inflammatory diseases has only been partly validated. We have not yet succeeded and may never succeed in demonstrating efficacy and safety for vilobelimab in pivotal clinical trials or in obtaining marketing approval thereafter for HS or any other indication. If we are unsuccessful in our development efforts, we may not be able to advance the development of our product candidates, commercialize products, raise capital, expand our business or continue our operations.

We have encountered many challenges in developing vilobelimab for HS and may never succeed in obtaining regulatory approval in HS.

The regulatory path for seeking approval of vilobelimab for HS is uncertain. We have had multiple interactions with the FDA with the goal of seeing the FDA's support for a new clinical endpoint for HS, and we have not achieved complete alignment. We held a Type A meeting with the FDA in August of 2021 in which we proposed to conduct a Phase III clinical trial of vilobelimab in HS in a study population consisting of patients with actively draining disease and in which we introduced a new primary endpoint taking into account all three inflammatory lesions that characterize the disease (nodules, abscesses and draining tunnels), referred to as "modified HiSCR" or "m-HiSCR". In the fourth quarter of 2021, we submitted a full study protocol to the FDA describing the details of the study and the proposed new primary endpoint. In February 2022, we received an advice letter from the FDA related to our Phase III program with vilobelimab for the treatment of HS. Contrary to what the FDA had advised during the Type A meeting, in the letter they recommended using the HiSCR as the primary endpoint in the Phase III trial. We sought to clarify the advice and after communications with the FDA, in March 2022, we received a corrected advice letter. In this letter, the FDA stated that it no longer recommends that we use the HiSCR as the primary endpoint for the chosen patient population but gives recommendations related to implementation of the modified HiSCR. If we decide to conduct the Phase III program of vilobelimab in HS without full alignment with the FDA on the primary endpoint, any open topics will be considered by the FDA if and when we submit an application for approval. This may create greater uncertainty around the potential for approval of vilobelimab for HS.

Furthermore, in the completed Phase IIb trial in HS in 2019, vilobelimab did not meet the primary endpoint as it did not demonstrate a statistically significant dose-dependent effect on Hidradenitis Suppurativa Clinical Response (HiSCR) rate at week 16. Following completion of the Phase IIb study, we performed a post-hoc analysis of the study data. That analysis showed multiple signals of efficacy for the vilobelimab high dose group compared to the placebo group within the initial phase of the study, including reductions in all combined inflammatory lesions and draining tunnels. Although we believe that these additional analyses were warranted, a retrospective analysis performed after unblinding trial results can result in the introduction of bias if the analysis is inappropriately tailored or influenced by

knowledge of the data and actual results. Because of these limitations, regulatory authorities typically give greatest weight to results from pre-specified analyses and less weight to results from post-hoc, retrospective analyses. The post-hoc nature of our analysis could negatively impact the evaluation of vilobelimab for HS by the FDA, the EMA or comparable foreign regulatory authorities.

We are heavily dependent on the success of vilobelimab, our lead product candidate, and if vilobelimab does not receive regulatory approval or is not successfully commercialized, our business will be harmed.

We currently have no products that are approved for commercial sale and may never be able to develop marketable products. We expect that a substantial portion of our efforts and expenditures over the next few years will be devoted to vilobelimab, which is currently our only product candidate in active clinical development. Accordingly, our business currently depends heavily on the successful development, regulatory approval and commercialization of vilobelimab. We cannot be certain that vilobelimab will receive regulatory approval or be successfully commercialized even if we receive regulatory approval for any indication, due in part because vilobelimab remains in clinical development and a Phase IIb trial of vilobelimab in HS failed to reach its primary endpoint in the past. Moreover, we may not be successful in our efforts to achieve regulatory approval or expand the approval, if any, of vilobelimab for other indications. If we were required to discontinue development of vilobelimab for any indication or if vilobelimab does not receive regulatory approval or fails to achieve significant market acceptance, we would be delayed by many years in our ability to achieve profitability, if ever. In addition, our ability to develop additional product candidates in our pipeline could be significantly hindered.

Clinical failure may occur at any stage of clinical development, and the results of our clinical trials may not support our proposed indications for our product candidates.

Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and preclinical testing. Moreover, success in clinical trials in a particular indication does not ensure that a product candidate will be successful in other indications, even for the same underlying disease. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in clinical trials, even after promising results in earlier preclinical studies or clinical trials or successful later-stage trials in other related indications, including in the context of controlling complement activation through C5 and C5a or C5aR inhibition. For example, while others in our industry have attempted to develop C5a-specific antibodies, there is currently no approved therapy inhibiting C5a. These setbacks have been caused by, among other things, preclinical findings made while clinical trials were underway and safety or efficacy observations made in clinical trials, including previously unreported adverse events as well as lack of efficacy and patient benefit as reported by clinical trial investigators. In particular, development of antibodies that target C5a rather than C5 to control complement activation is comparatively novel, and there is currently no approved therapy specifically targeting C5a. As a result, inhibition of C5a rather than C5, which blocks signaling to the two receptors C5aR and C5L2, may have unforeseen consequences or negative results that may lead to clinical failure or withdrawal in later stages of our product candidate development. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical and initial clinical trials for a variety of reasons, including differences in patient populations, changes in trial protocols and complexities of larger, multi-center trials among others. For example, our Phase IIb trial for vilobelimab in HS did not meet its primary endpoint. A failure of a clinical trial to meet its predetermined endpoints may cause us to abandon a product candidate or an indication and may delay development of any other product candidates. Any delay in, or termination of, our clinical trials will delay the submission of the Biologics License Application, or BLA, to the FDA, the marketing authorization application to the EMA or other similar applications with other relevant foreign regulatory authorities and, ultimately, our ability to commercialize any of our product candidates and generate revenue.

If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the FDA and other regulators, we, or any future collaborators, may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.

We, and any future collaborators, are not permitted to commercialize, market, promote or sell any product candidate in the United States without obtaining marketing approval from the FDA. Foreign regulatory authorities, such as the EMA, impose similar requirements in their respective markets. We, and any future collaborators, must complete extensive preclinical development and clinical trials to demonstrate the safety and efficacy of our product candidates in humans before we will be able to obtain these approvals.

The clinical development of our product candidates is susceptible to the risk of failure inherent at any stage of product development. It is possible that even if one or more of our product candidates has a beneficial effect, that effect will not be detected during clinical evaluation as a result of one or more of a variety of factors, including the size, duration, design, measurements, conduct or analysis of our clinical trials. For instance, in the Phase IIb Shine trial completed in 2019, we failed to meet the primary endpoint utilizing the HiSCR clinical endpoint, due in part, to a placebo efficacy rate of approximately 47%. Conversely, as a result of the same factors, our clinical trials may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any. Similarly, in our clinical trials we may fail to detect toxicity of or intolerability caused by our product candidate, or mistakenly believe that our product candidates are toxic or not well tolerated when that is not in fact the case. In addition, many of our product candidates are in early stages of development or clinical testing. As a result, it may be years before any of our product candidates receives regulatory approval, if at all, and additional clinical trials may fail to demonstrate safety, efficacy or tolerability for our targeted indications.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us or any future collaborators and impair our ability to generate revenue from product sales, regulatory and commercialization milestones and royalties. Moreover, if we or any future collaborators are required to conduct additional clinical trials or other testing of our product candidates beyond the trials and testing that we or they contemplate, if we or they are unable to successfully complete clinical trials of our product candidates or other testing or the results of these trials or tests are unfavorable, uncertain or are only modestly favorable, or there are unacceptable safety concerns associated with our product candidates, we or any future collaborators may:

- incur additional unplanned costs, including costs relating to additional required clinical trials or preclinical testing;
- be delayed in obtaining marketing approval for vilobelimab or any of our other product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- be required to remove the product from the market after obtaining marketing approval.
- Our failure to successfully complete clinical trials of our product candidates and to demonstrate the efficacy and safety necessary to obtain regulatory approval to market any of our product candidates would significantly harm our business.

Our product candidates may cause or be perceived to cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile

of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay, denial or withdrawal of regulatory approval by the FDA or comparable foreign regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. In addition, many of the patients that we enrolled in our clinical trials of vilobelimab suffer from serious pre-existing disorders. While such disorders may lead to serious adverse events during trial periods that may be found to be unrelated to vilobelimab, such events may create a negative safety perception and adversely impact market acceptance of vilobelimab following any approval. For example, in our Phase IIa and IIb clinical trials of vilobelimab for HS and in the Phase IIa trial for vilobelimab in PG, we observed several adverse events, even though they were judged not to be related to vilobelimab administration by the investigator.

If unacceptable side effects arise in the development of our product candidates, we, the FDA or comparable foreign regulatory authorities, the Institutional Review Boards, or IRBs, or independent ethics committees at the institutions in which our studies are conducted or elsewhere, or the Data Safety Monitoring Board, or DSMB, could suspend or terminate our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Side effects, whether treatment-related or not, could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff. We expect to have to train medical personnel using our product candidates to understand the side effect profiles for our clinical trials and upon any commercialization of any of our product candidates. Inadequate training in recognizing or managing the potential side effects of our product candidates could result in patient injury or death. Any of these occurrences may harm our business, financial condition and prospects significantly.

Moreover, clinical trials of our product candidates are conducted in carefully defined sets of patients who have agreed to enter into clinical trials. Consequently, it is possible that our clinical trials, or those of any future collaborator, may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any, or alternatively fail to identify undesirable side effects. If, following approval of a product candidate, we, or others, discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, any of the following adverse events could occur:

- regulatory authorities may withdraw their approval of the product or seize the product;
- we, or any future collaborators, may need to recall the product, or be required to change the way the product is administered or conduct additional clinical trials;
- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the particular product;
- we may be subject to fines, injunctions or the imposition of civil or criminal penalties;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- we, or any future collaborators, may be required to create a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- we, or any future collaborators, may be required to implement a REMS that imposes distribution and use restrictions or to conduct post-market studies or clinical trials;
- we, or any future collaborators, could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of these events could harm our business and operations and could negatively impact our share price.

Our most advanced product candidates are either chimeric or humanized antibody proteins that could cause an immune response in patients, resulting in the creation of harmful or neutralizing antibodies against these therapeutic proteins.

In addition to the safety, efficacy, manufacturing, and regulatory hurdles faced by our product candidates, the administration of proteins such as monoclonal antibodies that are chimeric or humanized, including our product candidates vilobelimab and IFX002, respectively, can cause an immune response, resulting in the creation of antibodies against the therapeutic protein. These anti-drug antibodies can have no effect or can neutralize the effectiveness of the protein or require that higher doses be used to obtain a therapeutic effect. Whether anti-drug antibodies will be created and how they react can often not be predicted from preclinical or even clinical studies, and their detection or appearance is often delayed. As a result, neutralizing antibodies may be detected at a later date or upon longer exposure of patients with our product candidates, such as following more chronic administration in longer lasting clinical trials. In some cases, detection of such neutralizing antibodies can even occur after pivotal clinical trials have been completed. Therefore, there can be no assurance that neutralizing antibodies will not be detected in future clinical trials or at a later date upon longer exposure (including after commercialization). If anti-drug antibodies reduce or neutralize the effectiveness of our product candidates, the continued clinical development or receipt of marketing approval for any of our product candidates could be delayed or prevented and, even if any of our product candidates is approved, their commercial success could be limited, any of which would impair our ability to generate revenue and continue operations. Low levels of anti-drug antibodies were detected in previously completed clinical studies.

Even if we complete the necessary preclinical studies and clinical trials for vilobelimab and any other product candidates, the marketing approval process is expensive, time consuming and uncertain and may prevent us or any future collaborators from obtaining approvals for the commercialization of some or all of our product candidates. As a result, we cannot predict when or if, and in which territories, we, or any future collaborators, will obtain marketing approval to commercialize a product candidate.

The research, testing, manufacturing, labeling, approval, selling, marketing, promotion and distribution of products are subject to extensive regulation by the FDA and comparable foreign regulatory authorities. We, and any future collaborators, are not permitted to market our product candidates in the United States or in other countries until we, or they, receive approval of a BLA from the FDA or marketing approval from applicable regulatory authorities outside the United States. Our product candidates are in various stages of development and are subject to the risks of failure inherent in drug development. We have not submitted an application for or received marketing approval for any product candidate in the United States or in any other jurisdiction. We have limited experience in conducting and managing the clinical trials necessary to obtain marketing approvals, including FDA approval of a BLA. Further, there is no prior history of regulatory approval for product candidates targeting C5a inhibition. In addition, while in the past a product was approved for HS using HiSCR as the primary clinical endpoint, in our Phase IIb trial of vilobelimab in HS, for which HiSCR was the primary endpoint and was not met, we developed concerns about HiSCR as a clinical endpoint. In August 2021, we agreed with the FDA on using an alternative endpoint to HiSCR, called modified HiSCR or mHiSCR as the primary endpoint in our Phase III clinical trials of vilobelimab in HS. In the fourth quarter of 2021, we submitted a full study protocol to the FDA describing the details of the study and the proposed new primary endpoint. In February 2022, we received an advice letter from the FDA related to our Phase III program with vilobelimab for the treatment of HS. Contrary to what the FDA had advised during the Type A meeting, in the letter they recommended using the HiSCR as the primary endpoint in the Phase III trial. We sought to clarify the advice and after communications with the FDA, in March 2022, we received a corrected advice letter. In this letter, the FDA stated that it no longer recommends that we use the HiSCR as the primary endpoint for the chosen patient population but gives

recommendations related to implementation of the modified HiSCR. If we decide to conduct the Phase III program of vilobelimab in HS without full alignment with the FDA on the primary endpoint, any open topics will be considered by the FDA if and when we submit an application for approval. This may create greater uncertainty around the potential for approval of vilobelimab for HS. So far, there is no prior experience by us or anybody in the industry in conducting clinical studies using this modified clinical endpoint.

The process of obtaining marketing approvals, both in the United States and abroad, is lengthy, expensive and uncertain. It may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA or other regulatory authorities may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a drug candidate's clinical development and may vary among jurisdictions. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable. The FDA, EMA or any comparable foreign regulatory authorities may delay, limit or deny approval of vilobelimab for many reasons, including:

- we may not be able to demonstrate that vilobelimab is safe and effective as a treatment for our targeted indications to the satisfaction of the FDA, the EMA or comparable foreign regulatory agencies;
- the FDA, EMA or comparable foreign regulatory authorities may require additional clinical trials or non-clinical studies of vilobelimab in addition to those already performed or planned, either before approval or as a post-approval commitment, which would increase our costs and prolong our development time for vilobelimab;
- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA, EMA or comparable foreign regulatory authorities to obtain marketing approval;
- the FDA, EMA or comparable foreign regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical trials, including designated clinical endpoints, such as the use of alternative clinical endpoints to HiSCR in our planned clinical trials of vilobelimab for HS;
- the population studied in the clinical program may not be sufficiently broad or representative to assure safety in the full population for which we seek approval;
- the contract research organizations, or CROs, that we retain to conduct clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- the FDA, EMA or comparable foreign regulatory authorities may not find the data from preclinical studies and clinical trials sufficient to demonstrate that the clinical and other benefits of vilobelimab outweigh its safety risks;
- the FDA, EMA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies and clinical trials;
- the FDA, EMA or comparable foreign regulatory authorities may not accept data generated at clinical trial sites, including for non-compliance with current Good Clinical Practices, or cGCP;

- if our BLA, when submitted, is reviewed by an advisory committee, the FDA may have difficulties scheduling an advisory committee meeting in a timely manner or the advisory committee may recommend against approval of our application or may recommend that the FDA require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;
- the FDA, EMA or comparable foreign regulatory authorities may require development of a risk evaluation and mitigation strategy, or REMS, as a condition of approval;
- the FDA, EMA or comparable foreign regulatory authorities may identify deficiencies in the manufacturing processes or facilities of our third-party manufacturers, including non-compliance with current Good Manufacturing Practices, or cGMP; or
- the FDA, EMA or comparable foreign regulatory authorities may change their respective approval policies or adopt new regulations.

Of the large number of drugs in development in the biopharmaceutical industry, only a small percentage result in the submission of a BLA to the FDA and even fewer are approved for commercialization. Furthermore, even if we do receive regulatory approval to market vilobelimab, any such approval may be subject to limitations on the indicated uses or patient populations for which we may market the product. Accordingly, even if we are able to obtain the requisite financing to continue to fund our development programs, we cannot assure you that vilobelimab will be successfully developed or commercialized.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or other regulatory authorities. The FDA or other regulatory authorities may conclude that a principal investigator, potentially including because of a financial relationship with us, has a conflict of interest that has affected interpretation of the study. The FDA or other regulatory authorities may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or other regulatory authorities, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

Any delay in obtaining or failure to obtain required approvals could negatively impact our ability or that of any future collaborators to generate revenue from the particular product candidate, which likely would result in significant harm to our financial position and adversely impact our share price.

We depend on enrollment of patients in our clinical studies for our product candidates. If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

We will also be required to identify and enroll a sufficient number of patients with HS, AAV, PG and cSCC for our planned or ongoing clinical trials of vilobelimab in these indications. Some of these are rare disease indications or indication with a relatively small patient population. Trial participant enrollment could be limited in future trials given that many potential participants may be ineligible because they are already undergoing treatment with approved medications, or are participating in other clinical trials.

Patient enrollment is affected by other factors, including:

- severity of the disease under investigation;
- design of the clinical trial protocol;
- size and nature of the patient population;
- eligibility criteria for the trial in question;

- perceived risks and benefits of the product candidate under trial;
- perceived safety and tolerability of the product candidate;
- proximity and availability of clinical trial sites for prospective patients;
- availability of competing therapies and clinical trials;
- clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including standard-of-care and any new drugs that may be approved for the indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians; and
- our ability to monitor patients adequately during and after treatment.

Further, there are only a limited number of specialist physicians who treat patients with these diseases and major clinical centers are concentrated in a few geographic regions. We also may encounter difficulties in identifying and enrolling such patients with a stage of disease appropriate for our ongoing or future clinical trials. In addition, the process of finding and diagnosing patients may prove costly. Our inability to enroll a sufficient number of patients for any of our clinical trials, if any, would result in significant delays or may require us to abandon one or more clinical trials.

We have experienced slower recruitment than anticipated in the clinical trials of vilobelimab in severe COVID-19, AAV, PG and cSCC, because of other compounds in clinical development for the same patient population, low disease prevalence, difficulties in diagnosis or due to restrictions at clinical trial sites in light of the COVID-19 pandemic. Further delays in the completion of any clinical trials will increase our costs, slow down our product candidate development and delay or potentially jeopardize our ability to commence marketing and generate revenue. In addition, we may not be able to initiate or continue clinical trials required by the FDA, EMA or other foreign regulatory agencies for vilobelimab or any of our other product candidates that we pursue if we are unable to locate and enroll a sufficient number of eligible patients to participate in these clinical trials.

Even if one of our product candidates receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success, in which case we may not generate significant revenues or become profitable.

Even if vilobelimab or any of our other product candidates is approved by the appropriate regulatory authorities for marketing and sale, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. As a general proposition, physicians are often reluctant to switch their patients from existing therapies (such as for the treatment of HS) even when new and potentially more effective or convenient treatments enter the market. Further, patients often acclimate to the therapy that they are currently taking and do not want to switch unless their physicians recommend switching therapy or they are required to switch therapies due to lack of reimbursement for existing therapies. Adalimumab is the only drug approved for the treatment of HS, and even if we are able to obtain marketing approval of vilobelimab for the treatment of HS, we may not be able to successfully convince physicians or patients to switch from adalimumab to vilobelimab. Further, we may face a lack of acceptance by the physician community of the efficacy of targeting C5a to inhibit terminal complement activation compared to targeting C5, which is well established in clinical practice (such as eculizumab). In addition, vilobelimab may not be accepted by physicians or patients if we cannot demonstrate, or if vilobelimab is perceived as not having, strong duration of effect, including compared to existing treatments for HS. The duration of effect of vilobelimab has only been studied prospectively for durations less than the expected duration of any pivotal Phase III clinical trials. It is possible that the effects seen in shorter term clinical trials will not be replicated at later time points or in larger clinical trials. Further, even if we are able to demonstrate our product candidates' safety and efficacy to the FDA and other regulators, safety concerns in the medical community may hinder market acceptance.

Efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources, including management time and financial resources, and may not be successful. If any of our product candidates is approved but does not achieve an adequate level of market acceptance, we may not generate significant revenues and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of the product;
- the potential advantages of the product compared to competitive therapies, notwithstanding success in meeting or exceeding clinical trial endpoints;
- the prevalence and severity of any side effects;
- whether the product is designated under physician treatment guidelines as a first-, second- or third-line therapy;
- our ability, or the ability of any future collaborators, to offer the product for sale at competitive prices;
- the product's convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try, and of physicians to prescribe, the product;
- limitations or warnings, including distribution or use restrictions contained in the product's approved labeling;
- the strength of sales, marketing and distribution support;
- changes in the standard of care for the targeted indications for the product; and
- availability and amount of coverage and reimbursement from government payors, managed care plans and other third-party payors.

The failure of any of our product candidates, if approved, to find market acceptance would harm our business and could require us to seek additional financing.

Even if we, or any future collaborators, are able to commercialize any product candidate that we, or they, develop, the product may become subject to unfavorable pricing regulations or third-party payor coverage and reimbursement policies, any of which could harm our business.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Therefore, our ability, and the ability of any future collaborators, to commercialize any of our product candidates will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from third-party payors including government health administration authorities and public or private health coverage insurers. Third-party payors decide which medications they will cover and establish reimbursement levels. We cannot be certain that reimbursement will be available for vilobelimab or any of our product candidates. Also, we cannot be certain that less fulsome reimbursement policies will not reduce the demand for, or the price we can charge for, our products, if approved. The insurance coverage and reimbursement status of newly approved products for orphan diseases is particularly uncertain and failure to obtain or maintain adequate coverage and reimbursement for vilobelimab or any other product candidates could limit our ability to generate revenue.

If coverage and reimbursement are not available, or reimbursement is available only to limited levels, we, or any future collaborators, may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us, or any future collaborators, to establish or maintain pricing sufficient to realize a sufficient return on our or their investments. In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors and coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a

time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

There is significant uncertainty related to third-party payor coverage and reimbursement of newly approved drugs. Marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sales price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we, or any future collaborators, might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay commercial launch of the product, possibly for lengthy time periods, which may negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability or the ability of any future collaborators to recoup our or their investment in one or more product candidates, even if our product candidates obtain marketing approval.

The healthcare industry is acutely focused on cost containment, both in the United States and elsewhere. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications, which could affect our ability or that of any future collaborators to sell our product candidates profitably. These payors may not view our products, if any, as cost-effective, and coverage and reimbursement may not be available to our customers, or those of any future collaborators, or may not be sufficient to allow our products, if any, to be marketed on a competitive basis. Cost-control initiatives or other policy measures by government authorities could cause us, or any future collaborators, to decrease the price we, or they, might establish for products, which could result in lower than anticipated product revenues. If the prices for our products, if any, decrease or if governmental and other third-party payors do not provide coverage or adequate reimbursement, our prospects for revenue and profitability will suffer.

There may also be delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the indications for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Reimbursement rates may vary, by way of example, according to the use of the product and the clinical setting in which it is used. Reimbursement rates may also be based on reimbursement levels already set for lower cost drugs or may be incorporated into existing payments for other services.

In addition, increasingly, third-party payors are requiring higher levels of evidence of the benefits and clinical outcomes of new technologies and are challenging the prices charged. We cannot be sure that reimbursement coverage will be available for any product candidate that we, or any future collaborator, commercialize and, if available, that the reimbursement rates will be adequate. Further, the net reimbursement for drug products may be subject to additional reductions if there are changes to laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. An inability to promptly obtain coverage and adequate payment rates from both government-funded and private payors for any of our product candidates for which we, or any future collaborator, obtain marketing approval could significantly harm our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

We currently have no marketing, sales or distribution infrastructure with respect to our product candidates. If we are unable to develop our sales, marketing and distribution capability on our

own or through collaborations with marketing partners, we will not be successful in commercializing our product candidates.

We currently have no marketing, sales or distribution capabilities and have limited sales or marketing experience within our organization. If any of our product candidates is approved, we intend either to establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize any such candidate, or to outsource this function to a third party. Either of these options would be expensive and time consuming. Some or all of these costs may be incurred in advance of any approval of our product candidates, including our lead candidate vilobelimab. In addition, we may not be able to hire a sales force in the United States, Europe or other target market that is sufficient in size or has adequate expertise in the medical markets that we intend to target. These risks may be particularly pronounced due to our focus on our initial indications of HS, severe COVID-19 and AAV for vilobelimab, as well as additional focus on PG and cSCC, each of which are disease areas with relatively small patient populations. Any failure or delay in the development of our or third parties' internal sales, marketing and distribution capabilities would adversely impact the commercialization of vilobelimab and other future product candidates.

With respect to our existing and future product candidates, we may choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment or to serve as an alternative to our own sales force and distribution systems. Our product revenue may be lower than if we directly marketed or sold any approved products. In addition, any revenue we receive will depend in whole or in part upon the efforts of these third parties, which may not be successful and are generally not within our control. If we are unable to enter into these arrangements on acceptable terms or at all, we may not be able to successfully commercialize any approved products. If we are not successful in commercializing any approved products, our future product revenue will suffer and we may incur significant additional losses.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

We have limited financial and managerial resources, and therefore we intend to focus on developing product candidates for specific indications that we identify as most likely to succeed, in terms of both their potential for marketing approval and commercialization. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that may prove to have greater commercial potential.

Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to the product candidate.

Clinical development involves a lengthy and expensive process, with an uncertain outcome. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of vilobelimab or any future product candidate we may develop.

The risk of failure for vilobelimab and any other future product candidates we may develop is high. It is impossible to predict when or if vilobelimab will prove to be effective and safe in humans or will receive regulatory approval for the treatment of HS, severe COVID-19, AAV, PG, or cSCC indication, or other new indications. Additionally, before regulatory authorities grant marketing approval for vilobelimab, for any future indications, or any future product candidate that we seek to develop, we will be required to complete our ongoing extensive clinical trials to demonstrate safety and efficacy in

humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drugs.

We may experience numerous unforeseen events during or as a result of the regulatory approval process that could delay or prevent our ability to receive marketing approval from regulators or commercialize vilobelimab or any future product candidate, including:

- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- clinical trials of our product candidates may produce negative or inconclusive results, including failure to demonstrate statistical significance, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;
- our product candidates may have undesirable side effects or other unexpected characteristics, causing us or our investigators, regulators, ethics committees or institutional review boards to suspend or terminate the trials;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all; and
- regulators, ethics committees or institutional review boards may require that we or our investigators suspend or terminate clinical development for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks.

We could also encounter delays if a clinical trial is suspended or terminated by us, by an overseeing ethics committee, by the institutional review boards of the institutions in which such trials are being conducted, by the data safety monitoring board for such trial or by the FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate drug revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence drug sales and generate revenues. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval.

Our product development costs will further increase if we experience delays in testing or marketing approvals. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring drugs to market before we do and impair our ability to successfully commercialize our product candidates. We are evaluating applications for orphan drug or breakthrough therapy designation for vilobelimab in various indications, but we may be unable to obtain any such designation

or to maintain the benefits associated with orphan drug status, including market exclusivity, even if that designation is granted.

We are evaluating applications for orphan drug or breakthrough therapy designation for vilobelimab in some indications, and we may seek orphan drug designation for other preclinical product candidates in our pipeline or that we may develop. In the United States and other foreign countries, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages, and user-fee waivers. After the FDA or other foreign regulatory agency grants orphan drug designation, the generic identity of the drug and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the FDA review and approval process. Breakthrough therapy designation is a process designed to expedite the development and review of drugs that are intended to treat a serious condition and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over available therapy on a clinically significant endpoint. Breakthrough therapy designation may make us eligible for intensive guidance by the FDA on an efficient drug development program and organizational commitment involving senior FDA managers, among others. Although we are evaluating applications for orphan drug or breakthrough therapy designation in some indications, there can be no assurance that we will obtain such designations. Moreover, obtaining orphan drug or breakthrough therapy designation for one indication does not mean we will be able to obtain such designation for another indication.

If a product that has orphan drug designation from the FDA subsequently receives the first FDA approval for a particular active ingredient for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a BLA, to market the same drug for the same indication for seven years, except in limited circumstances such as if the FDA finds that the holder of the orphan drug exclusivity has not shown that it can assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the drug was designated. Similarly, the FDA can subsequently approve a drug with the same active moiety for the same condition during the exclusivity period if the FDA concludes that the later drug is clinically superior, meaning the later drug is safer, more effective, or makes a major contribution to patient care. Even if we were to obtain orphan drug designation for vilobelimab from the FDA, we may not be the first to obtain marketing approval for any particular orphan indication due to the uncertainties associated with developing pharmaceutical products, and thus approval of vilobelimab could be blocked for seven years if another company obtains approval and orphan drug exclusivity for the same drug and same condition before us. If we do obtain exclusive marketing rights in the United States, they may be limited if we seek approval for an indication broader than the orphan designated indication and may be lost if the FDA later determines that the request for designation was materially defective or if we are unable to assure sufficient quantities of the product to meet the needs of the relevant patients. Further, exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition, the same drugs can be approved for different indications and might then be used off-label in our approved indication, and different drugs for the same condition may already be approved and commercially available.

Even if we obtain FDA approval of vilobelimab or any of our other product candidates, we may never obtain approval or commercialize our products outside of the United States.

In order to market any approved products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding clinical trial design, safety and efficacy. If approved by the relevant governmental authorities, we expect to market vilobelimab for the treatment of HS and other indications in Europe and jurisdictions outside the United States, in part due to the relatively larger patient population that exists in Europe as compared to that in the United States. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking

foreign regulatory approvals could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials which would be costly and time consuming and could delay or prevent introduction of vilobelimab or any of our other product candidates in those countries. In addition, we expect to be subject to a variety of risks related to operating in foreign countries if we obtain the necessary approvals, including:

- differing regulatory requirements in foreign countries;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from a foreign market (with low or lower prices) rather than buying them locally;
- unexpected changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- foreign reimbursement, pricing and insurance regimes;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- difficulties staffing and managing foreign operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- potential liability under the Foreign Corrupt Practices Act of 1977 or comparable foreign regulations;
- challenges enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism.

If we or our partners fail to comply with regulatory requirements or to obtain and maintain required approvals, our target market will be reduced, including if we are unable to market vilobelimab for the treatment of HS or other indications in Europe or elsewhere, and our ability to realize the full market potential of our product candidates will be harmed.

We are subject to extensive government regulation and the failure to comply with these regulations may have a material adverse effect on our operations and business.

Both before and after approval of any product, we and our suppliers, contract manufacturers and clinical investigators are subject to extensive regulation by governmental authorities in the United States and other countries, covering, among other things, testing, manufacturing, quality control, clinical trials, post-marketing studies, labeling, advertising, promotion, distribution, import and export, governmental pricing, price reporting and rebate requirements. Failure to comply with applicable requirements could result in one or more of the following actions: warning letters; unanticipated expenditures; delays in approval or refusal to approve a product candidate; product recall or seizure; interruption of manufacturing or clinical trials; operating or marketing restrictions; injunctions; criminal prosecution and civil or criminal penalties including fines and other monetary penalties; adverse publicity; and disruptions to our business. Further, government investigations into potential violations of these

laws would require us to expend considerable resources and face adverse publicity and the potential disruption of our business even if we are ultimately found not to have committed a violation.

Obtaining FDA, EMA or other regulatory agency approval of our product candidates requires substantial time, effort and financial resources and may be subject to both expected and unforeseen delays, and there can be no assurance that any approval will be granted on any of our product candidates on a timely basis, if at all. The FDA, EMA or other regulatory agencies may decide that our data are insufficient for approval of our product candidates and require additional preclinical, clinical or other studies or additional work related to chemistry, manufacturing and controls, or CMC. If we are required to conduct additional trials or to conduct other testing of our product candidates beyond that which we currently contemplate for regulatory approval, if we are unable to complete successfully our clinical trials or other testing, or if the results of these and other trials or tests fail to demonstrate efficacy or raise safety concerns, we may face substantial additional expenses, be delayed in obtaining marketing approval for our product candidates or may never obtain marketing approval.

We are also required to comply with extensive governmental regulatory requirements after a product has received marketing authorization. Governing regulatory authorities may require post-marketing studies that may negatively impact the commercial viability of a product. Once on the market, a product may become associated with previously undetected adverse effects and/or may develop manufacturing difficulties. As a result of any of these or other problems, a product's regulatory approval could be withdrawn, which could harm our business and operating results.

Our current and future relationships with third-party payors, health care professionals and customers in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to significant penalties.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our current and future arrangements with health care professionals, third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute and the federal civil False Claims Act, that may constrain the business or financial arrangements and relationships through which we conduct clinical research, sell, market and distribute any drugs for which we obtain marketing approval. In addition, we may be subject to transparency laws and patient privacy regulation by the federal government and by the U.S. states and foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws and regulations that may affect our ability to operate include the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs, such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. Further, several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the Anti-Kickback Statute has been violated. Moreover, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- federal civil and criminal false claims laws, including, without limitation, the federal civil

False Claims Act (that can be enforced through civil whistleblower or qui tam actions), and the civil monetary penalties law, which impose criminal and civil penalties against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose obligations on covered healthcare providers, health plans, and healthcare clearinghouses, as well as their business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the Physician Payments Sunshine Act, created under Section 6002 of Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the Affordable Care Act, and its implementing regulations, which requires specified manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services, or CMS, information related to payments or other ''transfers of value'' made to physicians, which is defined to include doctors, dentists, optometrists, podiatrists and chiropractors, and teaching hospitals and applicable manufacturers to report annually to CMS ownership and investment interests held by physicians and their immediate family members by the 90th day of each calendar year. All such reported information is publicly available; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices, including our relationships with physicians and other healthcare providers, some of whom may recommend, purchase or prescribe vilobelimab, if approved, may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations.

If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws and the curtailment or restructuring of our operations, which could have a material adverse effect on our business. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also materially affect our business.

Enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize vilobelimab and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of vilobelimab, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval.

Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives such as the Affordable Care Act in 2010, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. In the coming years, additional legislative and regulatory changes could be made to governmental health programs that could significantly impact pharmaceutical companies and the success of our drug candidate.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. These changes included aggregate reductions to Medicare payments to providers of 2% per fiscal year effective April 1, 2013 and, due to subsequent legislative amendments to the statute, will stay in effect through 2025, unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012, further reduced, among other things, Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our drugs, if approved, and, accordingly, our financial operations.

Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our drugs.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for drugs. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of vilobelimab, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent drug labeling and post-marketing testing and other requirements.

Even if we, or any future collaborators, obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our products may limit how we manufacture and market our products, which could impair our ability to generate revenue.

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation. We, and any future collaborators, must therefore comply with requirements concerning advertising and promotion for any of our product candidates for which we or they obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, we and any future collaborators will not be able to promote any products we develop for indications or uses for which they are not approved.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices, or cGMPs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our contract manufacturers, any future collaborators and their contract manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs.

Accordingly, assuming we, or any future collaborators, receive marketing approval for one or more of our product candidates, we, and any future collaborators, and our and their contract manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control.

Governments, including those outside the United States, tend to impose strict price controls, which may adversely affect our revenues, if any.

In many countries, such as countries of the European Union, the pricing of prescription pharmaceuticals is subject to varying price control mechanisms, often as part of national health systems. Other countries allow companies to fix their own prices for medical products but monitor and control company profits. Pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we, or any future collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed. Additional price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates, and we believe the increasing emphasis on cost-containment initiatives in the Europe Union has and will continue to put pressure on the pricing and usage of our product candidates. As a result, given the relatively smaller target markets for severe COVID-19, HS, PG and AAV, our initial indications for vilobelimab, any reduced reimbursement for such product candidates may be insufficient for us to generate commercially reasonable revenue and profits and would adversely affect our financial condition and results of operations.

Any of our product candidates for which we, or any future collaborators, obtain marketing approval in the future could be subject to post-marketing restrictions or withdrawal from the market and we, or any future collaborators, may be subject to substantial penalties if we, or they, fail to comply with regulatory requirements or if we, or they, experience unanticipated problems with our products following approval.

Any of our product candidates for which we, or any future collaborators, obtain marketing approval, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such product, among other things, will be subject to ongoing requirements of and review by the FDA, the EMA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and list-

ing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the requirement to implement a REMS.

The FDA, the EMA and other regulatory authorities may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a product. The FDA and other agencies, including the Department of Justice, closely regulate and monitor the post-approval marketing and promotion of products to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we, or any future collaborators, do not market any of our product candidates for which we, or they, receive marketing approval for only their approved indications, we, or they, may be subject to warnings or enforcement action for off-label marketing. Violation of the FDCA and other statutes relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state health care fraud and abuse laws and state consumer protection laws, including the False Claims Act.

In addition, later discovery of previously unknown adverse events or other problems with our products or their manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on the manufacturing of such products;
- restrictions on the labeling or marketing of such products;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- restrictions on coverage by third-party payors;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

2.2.3 Risks related to our dependence on third parties

We rely on third parties to conduct our clinical trials. If they do not perform satisfactorily, our business could be harmed.

We do not independently conduct clinical trials of any of our product candidates. We rely on third parties, such as contract research organizations, or CROs, clinical data management organizations, third-party consultants, medical institutions and clinical investigators, to conduct these clinical trials and expect to rely on these third-parties to conduct clinical trials of any other product candidate that we develop. Any of these third parties may terminate their engagements with us under certain circumstances. We may not be able to enter into alternative arrangements or do so on commercially reasonable terms. In addition, there is a natural transition period when a new contract research organization begins work. As a result, delays would likely occur, which could negatively impact our ability to meet our expected clinical development timelines and harm our business, financial condition and prospects.

Further, although our reliance on these third parties for clinical development activities limits our control over these activities, we remain responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards. For example, notwithstanding the obligations of a CRO for a trial of one of our product candidates, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA, the EMA and potentially other regulatory agencies of different countries require us to comply with requirements, commonly referred to as current Good Clinical Practices, or cGCP, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. The FDA and regulatory agencies inside the European Union and other regulatory agencies enforce these cGCP regulations through periodic inspections of trial sponsors, principal investigators, clinical trial sites and IRBs. If we or our third-party contractors fail to comply with applicable cGCP regulations, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or other regulatory agencies may require us to perform additional clinical trials before approving our product candidates, which would delay the marketing approval process. We cannot be certain that, upon inspection, the FDA or other regulatory agencies will determine that any of our clinical trials comply with cGCP. We are also required to register clinical trials and post the results of completed clinical trials on a government-sponsored database, such as ClinicalTrials.gov in the United States, within certain timeframes. The same requirement applies to clinical trials outside the United States, such as EudraCT.ema.europa.eu in Europe. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, the third parties conducting clinical trials on our behalf are not our employees, and except for remedies available to us under our agreements with such contractors, we cannot control whether or not they devote sufficient time, skill and resources to our ongoing development programs. These contractors may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials or other drug development activities, which could impede their ability to devote appropriate time to our clinical programs. If these third parties, including clinical investigators, do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates. If that occurs, we will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. In such an event, our financial results and the commercial prospects for any product candidates that we seek to develop could be harmed, our costs could increase and our ability to generate revenues could be delayed, impaired or foreclosed.

We are subject to manufacturing risks and use of third parties to manufacture our product candidates may increase the risk that we will not have sufficient quantities of our product candidates, products, or necessary quantities at an acceptable cost

We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of our product candidates, and we lack the resources and the capabilities to do so. As a result, we currently rely on third parties located in China and elsewhere for supply of vilobelimab. Our current strategy is to outsource all manufacturing of our product candidates and products to third parties while conducting certain quality control tests within our in-house manufacturing processes. The supply chain and manufacturing in China may, also as a result of the current global pandemic, significantly impact our operations.

The process of manufacturing our products is complex, highly regulated and subject to several risks. The process of manufacturing biologics, such as vilobelimab, is extremely susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, vendor or operator error, inconsistency in yields, variability in product characteristics and difficulties in scaling the production process. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in

which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Further, our product candidates that have been produced and are stored for later use may degrade, become contaminated or suffer other quality defects, which may cause the affected product candidates to no longer be suitable for their intended use in clinical trials or other development activities. If the defective product candidates cannot be replaced in a timely fashion, we may incur significant delays in our development programs that could adversely affect the value of such product candidates.

We currently engage third-party manufacturers to provide the final drug product formulation of vilobelimab that is being used in our clinical trials. Although we believe that there are several potential alternative manufacturers who could manufacture vilobelimab, we may incur added costs and delays in identifying and qualifying any such replacement. We currently have a main manufacturer for the clinical supply of vilobelimab, which is located in China. There is no assurance that we will be able to timely secure needed alternative supply arrangements on satisfactory terms, or at all. Our reliance on our main manufacturer and our failure to secure alternative supply arrangements as needed could have a material adverse effect on our ability to complete the development of our product candidates or, to commercialize them, if approved. There may be difficulties in scaling up to commercial quantities or optimization of processes and formulation of vilobelimab and the costs of manufacturing could be prohibitive. The current global pandemic could impact supply, depending on how much is required for ongoing and future trials, as well as, any potential commercialization.

Even if we are able to establish and maintain arrangements with third-party manufacturers, reliance on third-party manufacturers entails additional risks beyond our control, including, but not limited to:

- reliance on third parties for manufacturing process development, regulatory compliance and quality assurance;
- costs and validation of new equipment and facilities required for additional scale-up or optimization of processes;
- failure to comply with cGMP and similar foreign standards;
- limitations on supply availability resulting from capacity and scheduling constraints of third parties;
- lack of qualified backup suppliers for those components that are currently purchased from a sole or single source supplier;
- closures and restrictions on critical facilities resulting from public health crises;
- the ability to freely import clinical trial material manufactured at our third-party manufacturer in China into the countries in which the clinical trials are being conducted;
- the possible breach of manufacturing agreements by third parties because of factors beyond our control; and
- the possible termination or non-renewal of the manufacturing agreements by the third-party, at a time that is costly or inconvenient to us, and our ability to obtain alternative supply.

If we do not maintain our key manufacturing relationships, we may fail to find replacement manufacturers or develop our own manufacturing capabilities, which could delay or impair our ability to obtain regulatory approval for our products. If we do find replacement manufacturers, we may not be able to enter into agreements with them on terms and conditions favorable to us and there could be a substantial delay before new facilities could be qualified and registered with the FDA and other foreign regulatory authorities. In addition, a change of the manufacturing facility contains inherent risks and is generally viewed as a major change in the manufacturing process such that comparability studies have to be conducted to assure comparability between the before established manufacturing process and the newly established manufacturing process potentially causing delays in the drug product supply or, in case of a non-comparability of the manufactured drug product, warrant further additional pre-clinical and or clinical studies with such non-comparable drug product which may also be imposed by any regulatory agency upon review of the comparability data.

We participate in the manufacturing process with crucial quality control testing within our own laboratories, and we hold the manufacturer license for, and therefore oversee, the overall manufacturing process, and we are responsible for ensuring that this part of our business also operates according to cGMP standards. Additionally, we currently hold an importing license. We therefore employ key personnel within the manufacturing process such as a head of quality assurance, a head of manufacturing, and a qualified person.

Thus, our laboratories and our quality control system and related documentation and personnel, are also subject to frequent governmental inspections to assure adherence to cGMP guidelines and to maintain our manufacturing and importing license. Related to these activities, there are risks which could negatively impact our ability to meet our expected clinical development timelines and harm our business, financial condition and prospects, including, but not limited to, the following risks:

- a loss of key personnel within the manufacturing activities could result in significant delays in the manufacturing and release testing of our drug candidate and replacement of such personnel could be time consuming and be associated with additional costs for us;
- mistakes or misconduct within the release testing could result in false results which could result in both, the wrongfully rejection of a manufactured drug product from being released or the wrongfully acceptance of a dysfunctional drug product, causing data and trial results achieved with such drug product being false and potentially wrongly interpreted; and
- an inadequate cGMP compliance could result in a potential temporary or permanent loss of the manufacturing or importing license resulting from an inspection of regulatory agencies.

Our third-party manufacturers, or we, may not be able to comply with the cGMP regulatory requirements applicable to vilobelimab and biologics, including applicable provisions of the FDA's drug cGMP regulations, device cGMP requirements embodied in the Quality System Regulation, or QSR, or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, seizures or voluntary recalls of product candidates, operating restrictions and criminal prosecutions, any of which could significantly affect supplies of our product candidates. In addition, our third-party manufacturers and suppliers and we are subject to FDA and other local regulatory authority inspection from time to time. Failure by our third-party manufacturers and suppliers or us to pass such inspections and otherwise satisfactorily complete the FDA approval regimen with respect to our product candidate may result in regulatory actions such as the issuance of FDA Form 483 notices of observations, warning letters or injunctions or the loss of operating licenses. In addition, we and our third-party manufacturers and suppliers are subject to numerous environmental, health and safety laws and regulations, including those governing the handling, use, storage, treatment and disposal of waste products, and failure to comply with such laws and regulations could result in significant costs associated with civil or criminal fines and penalties for such third parties. Based on the severity of the regulatory action, our clinical or commercial supply of drug and packaging and other services could be interrupted or limited, which could have a material adverse effect on our business, including our clinical research activities and our ability to develop our product candidates and market our products following approval, if any.

If any third-party manufacturer of our product candidates is unable to increase the scale of its production of our product candidates, and/or increase the product yield of its manufacturing, then our costs to manufacture the product may increase and commercialization may be delayed

In order to produce sufficient quantities to meet the demand for clinical trials and, if approved, subsequent commercialization of vilobelimab or any of our other product candidates in our pipeline or that we may develop, our third-party manufacturers will be required to increase their production and optimize their manufacturing processes while maintaining the quality of the product. The transition to larger scale production could prove difficult or costly. Further, any claims in our manufacturing process as a result of scaling up or optimization of the manufacturing, supply and fill process may result in the need to obtain regulatory approvals. If our third-party manufacturers are not able to optimize

manufacturing process to increase the product yield for our product candidates or are unable to produce increased amounts of our product candidates while maintaining the quality of the product, then we may not be able to meet the demands of clinical trials or market demands, which could decrease our ability to generate profits. Difficulty in achieving commercial scale-up production or production optimization or the need for additional regulatory approvals as a result could have a material adverse impact on our business and results of operations.

We expect to seek to establish collaborations and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans.

We expect to seek one or more collaborators for the development and commercialization of one or more of our product candidates. Likely collaborators may include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In addition, if we obtain marketing approval for product candidates from foreign regulatory authorities, we may enter into strategic relationships with international biotechnology or pharmaceutical companies for the commercialization of such product candidates outside of the United States.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the potential differentiation of our product candidate from competing product candidates, design or results of clinical trials, the likelihood of approval by the FDA, the EMA or comparable foreign regulatory authorities and the regulatory pathway for any such approval, the potential market for the product candidate, the costs and complexities of manufacturing and delivering the product to patients and the potential of competing products. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for our product candidate. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

Collaborations are complex and time-consuming to negotiate and document. Further, there have been a significant number of recent business combinations among large pharmaceutical companies that may have resulted in a reduced number of potential future collaborators. Any collaboration agreements that we enter into in the future may contain restrictions on our ability to enter into potential collaborations or to otherwise develop specified product candidates. We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all.

If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

If we enter into collaborations with third parties for the development and commercialization of our product candidates, our prospects with respect to those product candidates will depend in significant part on the success of those collaborations.

We expect to maintain existing collaborations and enter into additional collaborations for the development and commercialization of certain of our product candidates and in certain geographies. For example, we entered into a clinical trial and supply agreement with Merck & Co. Inc. ("Merck," known as MSD outside the U.S. and Canada) relating to a clinical trial in cSCC. We may have limited control over the amount and timing of resources that our collaborators will dedicate to the develop-

ment or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on any future collaborators' abilities to successfully perform the functions assigned to them in these arrangements. In addition, any future collaborators may have the right to abandon research or development projects and terminate applicable agreements, including funding obligations, prior to or upon the expiration of the agreed upon terms.

Collaborations involving our product candidates pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs, based on clinical trial results, changes in the collaborators' strategic focus or available funding or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators, including disagreements over proprietary rights, including trade secrets and other intellectual property, contract interpretation, or the preferred course of research and development might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly prosecute, maintain, defend or enforce our intellectual property rights or may use our proprietary information or other intellectual property in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or expose us to potential litigation;
- collaborators may infringe, misappropriate or otherwise violate the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates; and
- collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If any future collaborator of ours is involved in a business combination, it could decide to delay, diminish or terminate the development or commercialization of any product candidate licensed to it by us.

2.2.4 Risks related to our intellectual property

Our success depends on our ability to protect our intellectual property and proprietary anti-C5a and anti-C5aR technology.

Our success depends in large part on our ability to obtain, maintain, protect, defend and enforce patent, trade secret and other intellectual property protection in the United States and other countries worldwide with respect to vilobelimab and other proprietary product candidates. If we do not adequately protect, maintain, defend and enforce our intellectual property rights, competitors may be able to erode, negate or preempt any competitive advantage we may have, which could adversely affect our business and ability to achieve profitability. To seek to protect our proprietary position, we file patent applications in the United States and in certain other countries related to our novel product candidates and their potential use is different medical indications that are important to our business. The patent application and approval process is expensive and time-consuming and we may not be able to file and prosecute all necessary or desirable patent applications and obtain and maintain issued patents at a reasonable cost or in a timely manner.

If the scope of the patent protection we obtain is not sufficiently broad, we may not be able to prevent others from developing and commercializing technology and products similar or identical to ours. The degree of patent protection we require to successfully compete in the market may be unavailable or severely limited in some cases and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, contractors, prospective business collaborators, clinical investigators and other third parties, any of these parties could breach the agreements and disclose such output before a patent application is filed, which could jeopardize our ability to seek and obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability, and commercial value of our patent rights may be uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or product candidates or which effectively prevent others from commercializing competitive technologies and product candidates. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. For example, there can be no assurance that our issued patents contain and pending patent applications will contain, when granted, claims of sufficient breadth to cover all antibodies alleged to be a biosimilar of our product candidates. Furthermore, there can be no assurance that our issued patents will not be challenged at the United States Patent and Trademark Office, or USPTO, or foreign patent offices or in court proceedings, and if any such challenge were successful, the scope of our issued patent claims could be limited so as to not cover antibodies alleged to be a biosimilar of our product candidates. In addition, changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the laws of foreign countries may not protect our rights to the same extent or in the same manner as the laws of the United States. For example, patent laws in various jurisdictions, including significant commercial markets such as Europe, restrict the patentability of methods of treatment of the human body more than United States law does.

Some of our future patents and patent applications and other intellectual property may be co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications or other intellectual property, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we would need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Furthermore, we, or any future partners, collaborators, or licensees, may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our patents covering our proprietary anti-C5a and anti C5aR technology may be subject to challenge, narrowing, circumvention and invalidation by third parties.

Any of our patents may be challenged, narrowed, circumvented, or invalidated by third parties. The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our patents may be challenged in the courts or patent offices in the United States and abroad. We may be subject to a third-party pre-issuance submission of prior art to the USPTO or become involved in opposition, derivation, revocation, reexamination, post-grant and *inter partes* review, or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge priority of invention or other features of patentability. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and product candidates. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

In addition, our competitors and other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. For example, a third party may develop a competitive therapy that provides benefits similar to vilobelimab or other product candidates but that uses a technology that falls outside the scope of our patent protection. Our competitors may also seek approval to market generic versions of any approved products and in connection with seeking such approval may claim that our patents are invalid, unenforceable or not infringed. In these circumstances, we may need to defend or assert our patents, or both, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid or unenforceable, or that our competitors are competing in a non-infringing manner. Thus, even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our product candidates could be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We cannot be sure that we were the first to make the anti-C5a and anti-C5aR technologies claimed in our patents or patent applications or that we were the first to file for patent protection.

Assuming the other requirements for patentability are met, currently, the first to file a patent application is generally entitled to the patent. However, prior to March 16, 2013, in the United States, the first to invent was entitled to the patent. Publications of discoveries in the scientific literature often lag

behind the actual discoveries, and patent applications in the United States and other jurisdictions are not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Similarly, we cannot be certain that parties from whom we may license or purchase patent rights were the first to make relevant claimed inventions, or were the first to file for patent protection for them. If third parties have filed patent applications on inventions claimed in our patents or applications on or before March 15, 2013, an interference proceeding in the United States can be initiated by such third parties to determine who was the first to invent the subject matter covered our patent applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs.

The patent application process is subject to numerous risks and there can be no assurance that we will be successful in obtaining patents for which we have applied.

Pending patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications. The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;

- the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance;

- patent applications may not result in any patents being issued;

- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, narrowed, found to be unenforceable or otherwise may not provide any competitive advantage;

- our competitors, many of whom have substantially greater resources and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or eliminate our ability to make, use, and sell our potential product candidates;

- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and

- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing product candidates.

Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations, and prospects.

It is difficult and costly to protect our intellectual property and our proprietary anti-C5a and anti-C5aR technologies, and we may not be able to ensure their protection.

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection for the composition, use and structure of our product candidates, the methods used to manufacture them, the related therapeutic targets and associated methods of treatment as well as on successfully defending these patents against potential third-party challenges. Our ability to protect our product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent on the extent to which we have rights under valid and enforceable patents that cover these activities.

The ultimate determination by the USPTO or by a court or other trier of fact in the United States, or any corresponding foreign patent offices or courts or other triers of fact, on whether a claim meets all requirements of patentability cannot be assured. Although our C5a and C5aR inhibitor portfolio consists of five families of patents and patent applications that we own directed to C5a and C5aR inhibitors and related methods of use, we cannot predict the breadth of claims that may be allowed or enforced in our patents or patent applications, in our future licensed patents or patent applications or in third-party patents.

We cannot provide assurances that any of our patent applications will be found to be patentable, including over our own prior art patents, publications or other disclosures, or will issue as patents. Furthermore, given the differences in patent laws in the United States, Europe and other foreign countries, for example, the availability of grace periods for filing patent applications and what can be considered as prior art, we cannot make any assurances as to the scope of any claims that may issue from our pending and future patent applications in the United States or in other jurisdictions. Similarly, we cannot make any assurances as to the scope of any claims that may survive a proceeding initiated by a third party challenging the patentability, validity or enforceability of our patents and patent applications in the United States or in other jurisdictions. Any such challenge, if successful, could limit patent protection for our product candidates and/or materially harm our business.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we may not be able to generate sufficient data to support patent applications that protect the entire breadth of developments in one or more of our programs, including our Hidradenitis Suppurativa (HS) program;
- it is possible that one or more of our pending patent applications will not become an issued patent or, if issued, that the patent(s) will be insufficient to protect our technology or products, provide us with a basis for commercially viable products or provide us with any competitive advantages;
- if our pending patent applications issue as patents, they may be challenged by third parties as not infringed, invalid or unenforceable under United States or foreign laws; or
- if issued, the patents under which we hold rights may not be valid or enforceable.

In addition, to the extent that we are unable to obtain and maintain patent protection for one of our product candidates or in the event that such patent protection expires, it may no longer be cost-effective to extend our portfolio by pursuing additional development of a product or product candidate for follow-on indications. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Obtaining and maintaining patent protection of our anti-C5a and anti-C5aR technologies depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. We may enter into certain license agreements where we will not have the ability to maintain or prosecute patents in the portfolio and must therefore rely on third parties to take such actions and comply with certain requirements. Failure by us or our future or any existing licensors to maintain protection of our patent portfolio could have a material adverse effect on our business, financial condition, results of operations, and prospects.

In addition, it is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, claim scope, or requests for patent term adjustments. If we fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced, eliminated, invalid and/or unenforceable. If any of our present or future partners, collaborators, licensees, or licensors, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have a material adverse effect on our business, financial condition, results of operations, and prospects.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time and if we do not obtain protection under the Hatch-Waxman Amendments and similar non-U.S. legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally twenty years after it is filed. Various extensions may be available, however, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing products similar to our product candidates.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments and similar legislation in the EU. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. In Europe, a maximum of five and a half years of supplementary protection can be achieved for an active ingredient or combinations of active ingredients of a medicinal product protected by a basic patent, if a valid marketing authorization exists (which must be the first authorization to place the product on the market as a medicinal product) and if the product has not already been the subject of supplementary protection. However,

we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Changes to the patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Recent patent reform legislation in the United States, including the Leahy-Smith America Invents Act, or the America Invents Act, could increase those uncertainties and costs. The America Invents Act was signed into law on September 16, 2011, and many of the substantive changes became effective on March 16, 2013. The America Invents Act reforms United States patent law in part by changing the U.S. patent system from a "first to invent" system to a "first inventor to file" system, expanding the definition of prior art, and developing a post-grant review system. This legislation changed United States patent law in a way that may weaken our ability to obtain patent protection in the United States for those applications filed after March 16, 2013.

Further, the America Invents Act created procedures to challenge the validity of issued patents in the United States, including post-grant review and *inter partes* review proceedings, which some third parties have been using to cause the cancellation of selected or all claims of issued patents of competitors. For a patent with an effective filing date of March 16, 2013 or later, a petition for post-grant review can be filed by a third party in a nine-month window from issuance of the patent. A petition for *inter partes* review can be filed immediately following the issuance of a patent if the patent has an effective filing date prior to March 16, 2013. A petition for *inter partes* review can be filed after the nine-month period for filing a post-grant review petition has expired for a patent with an effective filing date of March 16, 2013 or later. Post-grant review proceedings can be brought on any ground of invalidity, whereas *inter partes* review proceedings can only raise an invalidity challenge based on published prior art and patents. These adversarial actions at the USPTO review patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts and use a lower burden of proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a U.S. patent invalidated in a USPTO post-grant review or *inter partes* review proceeding than invalidated in a litigation in a U.S. federal court. If any of our patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we or our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent right to us.

In addition, court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. The laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Any changes to patent law in the U.S. or other jurisdictions that impairs our ability to protect vilobelimab and other product candidates or their use in therapy could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Others may claim an ownership interest in our intellectual property and proprietary anti-C5a and anti-C5aRtechnologies which could expose us to litigation and have a significant adverse effect on our prospects.

A third party may claim an ownership interest in one or more of our, or our future or any existing licensors', patents or other proprietary or other intellectual property rights. A third party could bring legal actions against us and seek monetary damages and/or enjoin clinical testing, manufacturing and marketing of the affected product or products. While we are presently unaware of any material claims or assertions by third parties with respect to our patents or other intellectual property, we cannot guarantee that a third party will not assert a claim or an interest in any of such patents or other intellectual property. If we become involved in any litigation, it could consume a substantial portion of our resources, and could cause a significant diversion of effort by our technical and management personnel. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required, for example, to pay substantial royalties or grant cross-licenses to our patents. We cannot, however, assure you that any such license will be available on acceptable terms, if at all. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations as a result of claims of patent infringement or other violations of other intellectual property rights. Further, the outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of any adverse party. This is especially true in intellectual property cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our product candidates without infringing, misappropriating, or otherwise violating the proprietary or any other intellectual property rights of third parties. Third parties may have U.S. and non-U.S. issued patents and pending patent applications relating to compounds, methods of manufacturing compounds and/or methods of use for the treatment of the disease indications for which we are developing our product candidates that may cover our product candidates or approach to complement inhibition. If any third-party patents or patent applications are found to cover our product candidates or their methods of use or manufacture, or our approach to complement inhibition, we may not be free to manufacture or market our product candidates as planned without obtaining a license, which may not be available on commercially reasonable terms, or at all.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our product candidates, including interference and post-grant proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the composition, use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may be accused of infringing. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly, third parties may assert infringement claims against us based on intellectual property rights that exist now or arise in the future. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use or manufacture. The scope of protection afforded by a patent is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to

demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

If we are found to infringe, misappropriate, or otherwise violate a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product candidate or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or commercializing the infringing product candidate or product. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us; alternatively or additionally, it could include terms that impede or destroy our ability to compete successfully in the commercial marketplace. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could harm our business. Claims that we have misappropriated the trade secrets or other confidential information of any third parties could have a similar negative impact on our business. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property and proprietary anti-C5a and anti-C5aR technology.

Many of our current and former employees and our licensors' current and former employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including some which may be competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such third party. Litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and contractors who are involved in the development of intellectual property for us within the scope of such employees', consultants' and contractors' employment or other engagement by us to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, or such agreements may be breached or alleged to be ineffective, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may lose exclusivity to certain of our our intellectual property rights to the German federal government

We hold all of our intellectual property through our wholly owned subsidiary InflaRx GmbH in Germany. In the event of a national epidemic or pandemic, the German federal government, and the Federal Ministry of Health and other authorities have the right to order the use of our owned and in-licensed patents in the interest of the public welfare or the security of the Federal Republic of Germany. The German federal government may issue such an order with respect to our owned and in-licensed patents and we may lose exclusivity with respect to the technologies covered by such patents.

Additionally, the research resulting in certain of our patents and technology, including patents and technology relating to our clinical development in COVID-19, was funded in part by the German federal government. Results of such government funded research projects must, subject to certain conditions, be made available free of charge for academic research and teaching in Germany and must be published in bi-annual interim reports and a final report following completion of the funded work. Information relating to intellectual property generated, commercial expectations, scientific chances of success, next steps and certain additional information must be disclosed to the German government and to third parties for academic research and teaching upon request under a written confidentiality agreement. The German federal government additionally has, in the case of a special public interest, a non-exclusive and transferable right to use intellectual property generated as part of the funded work.

Certain of our employees and patents are subject to German law.

A number of our personnel, including our directors, work in Germany and may be subject to German employment law through their employment contracts. Inventions which may be the subject of a patent or of protection as a utility model as well as technical improvement proposals for other technical innovations that may not be the subject of a patent or of protection as a utility model made by such employees are subject to the provisions of the German Act on Employees' Inventions (*Gesetz über Arbeitnehmererfindungen*), which regulates the ownership of, and compensation for, inventions made by employees. We face the risk that disputes may occur between us and our current or past employees pertaining to the sufficiency of compensation paid by us, allocation of rights to inventions under this act or alleged non-adherence to the provisions of this act, any of which may be costly to resolve and take up our management's time and efforts whether we prevail or fail in such dispute. In addition, under the German Act on Employees' Inventions, certain employees retain rights to patents they invented or co-invented and disclosed to us prior to October 1, 2009. While we believe that all of our current and past German employee inventors have subsequently assigned to us their interest in patents and inventions they invented or co-invented, there can be no assurance that all such assignments are fully effective. Even if we lawfully own all inventions of our employee inventors who are subject to the German Act on Employees' Inventions, we are required under German law to reasonably compensate such employees for the use of the patents. If we are required to pay increased compensation or face other disputes under the German Act on Employees' Inventions, our results of operations could be adversely affected.

If any of our current or past employees obtain or retain ownership of any inventions or other intellectual property rights that we believe we own, we may lose valuable intellectual property rights and may be required to obtain and maintain licenses from such employees to such inventions or intellectual property rights, which may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain a license to any such employee's interest in such inventions or intellectual property rights, we may need to cease the development, manufacture, and commercialization of one or more of the product candidates we may develop. In addition, any loss of exclusivity of our intellectual property rights could limit our ability to stop others from using or commercializing similar or identical technology and products. Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Risks related to employee matters and managing growth

We only have a limited number of employees to manage and operate our business.

As of December 31, 2021, we had 59 full-time or part-time employees. Our focus on the development of vilobelimab requires us to optimize cash utilization and to manage and operate our business with limited personnel. We cannot assure you that we will be able to hire additional employees and/or retain adequate staffing levels to develop vilobelimab or run our operations or to accomplish all the objectives that we otherwise would seek to accomplish.

We depend heavily on our executive officers and directors, and the loss of their services would materially harm our business.

Our success depends, and will likely continue to depend, upon our ability to hire and retain the services of our current executive officers, directors, principal consultants and others. We are highly dependent on the management, development, clinical, financial and business development expertise of Professor Niels Riedemann, our Chief Executive Officer, Professor Renfeng Guo, our Chief Scientific Officer, Dr. Korinna Pilz, our Chief Clinical Development Officer, Dr. Thomas Taapken, our Chief Financial Officer and Jordan Zwick, our Chief Strategy Officer. Our ability to compete in the biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel.

Our industry has experienced a high rate of turnover of management personnel in recent years. Any of our personnel may terminate their employment at will. If we lose one or more of our executive officers or other key employees, our ability to implement our business strategy successfully could be seriously harmed. Furthermore, replacing executive officers or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialize products successfully.

Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key employees on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

We rely on consultants and advisors, including scientific, strategic, regulatory and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by other entities and may have commitments under consulting or advisory contracts with those entities that may limit their availability to us. If we are unable to continue to attract and retain highly qualified personnel, our ability to develop and commercialize our product candidates will be limited.

Our employees, independent contractors, consultants, collaborators and contract research organizations may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk that our employees, independent contractors, consultants, collaborators and contract research organizations may engage in fraudulent conduct or other illegal activity. Misconduct by those parties could include intentional, reckless or negligent conduct or disclosure of unauthorized activities to us that violates: (i) FDA regulations or similar regulations of comparable non-U.S. regulatory authorities, including those laws requiring the reporting of true, complete and accurate information to such authorities, (ii) manufacturing and clinical trial conduct standards, (iii) federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-U.S. regulatory authorities, and (iv) laws that require the reporting of financial information or data accurately. Activities subject to these laws also involve the improper use of

information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could have a material adverse effect on our ability to operate our business and our results of operations.

We expect to expand our organization, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of clinical development and regulatory affairs. To manage these growth activities, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Our management may need to devote a significant amount of its attention to managing these growth activities. Moreover, our expected growth could require us to relocate to a different geographic area of the country. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion or relocation of our operations, retain key employees, or identify, recruit and train additional qualified personnel. Our inability to manage the expansion or relocation of our operations effectively may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could also require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If we are unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate revenues could be reduced and we may not be able to implement our business strategy, including the successful development and commercialization of our product candidates.

The legal and regulatory environment related to data privacy is becoming stricter, which could result in additional costs or changes to the manner in which we handle personal information, and a failure to comply with such laws or regulations, or to otherwise protect personal data in our possession or control, could result in fines, litigation, or other penalties as well as reputational damage.

We are subject to laws, regulations, and contractual obligations related to privacy, data protection, information security, including (i) the EU General Data Protection Regulation, which came into effect on May 25, 2018 and which provides for greater penalties for noncompliance than previous European data protection laws, with potential fines of up to the greater of €20 million or 4% of total annual worldwide turnover and (ii) the California Consumer Privacy Act, which came into effect on January 1, 2020 and which provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation.

As privacy, data protection and information security laws evolve and are implemented, interpreted and applied, our compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. Additionally, compliance with such obligations and regulations could significantly impact our current and planned privacy and information security practices, our collection, use, sharing, retention and safeguarding of personal data, and our current and planned business activities and operations. A failure to comply with such obligations or regulations could result in fines, litigation, or other penalties and adversely impact our reputation.

2.2.6 Risks related to our common shares and our status as a public company

The trading price of our common shares has been and may in the future be highly volatile, which could result in substantial losses for holders of our common shares, and a decline in our share price and invite securities litigation against our company or our management.

Our share price has been and is likely to be highly volatile in the future. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. You should consider an investment in our common shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The market price for our common shares may be influenced by many factors, including:

- the timing, enrollment and results of clinical trials of vilobelimab and any other product candidates;
- regulatory actions with respect to vilobelimab, our other product candidates or our competitors' products and product candidates;
- the success of existing or new competitive products or technologies;
- any delay in our development or regulatory filings for vilobelimab or any future product candidate and any adverse development or perceived adverse development with respect to the applicable regulatory authority's review of such filings, including without limitation the FDA's issuance of a "refusal to file" letter or a request for additional information;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- commencement or termination of collaborations for our development programs;
- failure or discontinuation of any of our development programs;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to develop additional product candidates or products;
- actual or anticipated changes in estimates as to financial results or development timelines;
- announcement or expectation of additional financing efforts;
- sales of our common shares by us, our insiders or other shareholders;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in estimates or recommendations by securities analysts, if any, that cover our shares;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this.

In the past, securities class action litigation has often been brought against a company and its management following a decline in the market price of its securities. This risk is especially relevant for biopharmaceutical companies, which have experienced significant stock price volatility in recent years. Such litigation, if instituted against us, could cause us or members of our management to incur substantial costs and divert management's attention and resources from our business.

Future sales, or the possibility of future sales, of a substantial number of our common shares could adversely affect the price of the shares and dilute shareholders and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common shares may be less attractive to investors.

Future sales of a substantial number of our common shares, or the perception that such sales will occur, could cause a decline in the market price of our common shares. If we or our existing shareholders sell substantial amounts of common shares in the public market, or the market perceives that such sales may occur, the market price of our common shares and our ability to raise capital through an issue of equity securities in the future at attractive terms or at all could be adversely affected.

We have broad discretion in the use of our cash on hand and may invest or spend it in way with which you do not agree and in ways that may not yield a return on your investment.

As of December 31, 2021, we had €26.2 million in cash and cash equivalents and €83.7 million in marketable securities. Our management will have broad discretion in the use of such cash and could spend it in ways that do not improve our results of operations or enhance the value of our common shares. You will not have the opportunity to influence our decisions on how to use our cash on hand. The failure by our management to apply these funds effectively could result in financial losses that could harm our business, cause the price of our common shares to decline and delay the development of our product candidates. Pending its use, we may invest our cash on hand in a manner that does not produce income or that loses value.

We are a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their Annual Report on Form 20-F until four months after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their Annual Report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

As a foreign private issuer and as permitted by the listing requirements of Nasdaq, we follow certain home country governance practices rather than the corporate governance requirements of Nasdaq.

We are a foreign private issuer. As a result, in accordance with the listing requirements of Nasdaq we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of Nasdaq. In accordance with Dutch law and generally accepted business practices, our Articles of Association do not provide quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock. Although we must provide shareholders with an agenda and other relevant documents for the general

meeting of shareholders, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands; thus, our practice will vary from the requirement of Nasdaq Listing Rule 5620(b). As permitted by the listing requirements of Nasdaq, we have also opted out of the requirements of Nasdaq Listing Rule 5605(d), which requires, among other things, an issuer to have a compensation committee that consists entirely of independent directors and makes determinations regarding the independence of any compensation consultants, Nasdaq Listing Rule 5605(e), which requires independent director oversight of director nominations, and Nasdaq Listing Rule 5605(b)(2), which requires an issuer to have a majority of independent directors on its board. In addition, we have opted out of shareholder approval requirements, as included in the Nasdaq Listing Rules, for the issuance of securities in connection with certain events such as the acquisition of shares or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements. To this extent, our practice varies from the requirements of Nasdaq Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with such events. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to these Nasdaq requirements.

We are an "emerging growth company" and, as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common shares may be less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- not being required to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We cannot predict if investors will find our common shares less attractive because we will rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We anticipate that we will remain an emerging growth company until December 31, 2022.

Under Section 107(b) of the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. Given that we currently report and expect to continue to report under IFRS as issued by the IASB, we will not be able to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required by the IASB.

We will lose our "emerging growth company" status at the end of 2022 and accordingly will incur additional costs for, and may encounter difficulties in the implementation and refinement of necessary processes in internal control over financial reporting.

As of December 31, 2022, we will no longer qualify as an emerging growth company. Accordingly, in our Annual Report on Form 20-F for the year ended December 31, 2022, we will no longer be subject to the reduced reporting requirements applicable to emerging growth companies and we will be required to adhere to, among other things, the auditor attestation requirement in the assessment of internal controls over financial reporting and compliance with the requirement that the Public Com-

pany Accounting Oversight Board has adopted regarding a supplement to the auditor's report providing additional information about the audit and the financial statements. As a result of losing our emerging growth company status at the end of 2022, we will incur additional costs that may continue until we refine our financial reporting processes.

We do not anticipate paying any cash dividends on our share capital in the foreseeable future. Accordingly, shareholders must rely on capital appreciation, if any, for any return on their investment.

We have never declared nor paid cash dividends on our share capital. We currently plan to retain all of our future earnings, if any, to finance the operation, development and growth of our business. In addition, the terms of any future debt or credit agreements and any restrictions imposed by applicable law may preclude us from paying dividends. As a result, capital appreciation, if any, of our common shares will be your sole source of gain for the foreseeable future. Investors seeking cash dividends should not purchase our common shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common shares depends in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We do currently have limited research coverage, and there can be no assurance that analysts will cover us or provide favorable coverage going forward. Securities or industry analysts may elect not to continue to provide research coverage of our common shares, and such lack of research coverage may negatively impact the market price of our common shares. In the event we do have analyst coverage, if one or more analysts downgrade our common shares, change their opinion of our common shares or publish inaccurate or unfavorable research about our business, our share price would likely decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our ability to use our net operating loss carry forwards and other tax attributes may be limited.

Our ability to utilize our net operating losses, or NOLs, is currently limited, and may be limited further, under Section 8c of the German Corporation Income Tax Act ("Körperschaftsteuergesetz" or KStG) and Section 10a of the German Trade Tax Act ("Gewerbesteuergesetz" or GewStG). These limitations apply if a qualified ownership change, as defined by Section 8c KStG, occurs and no exemption is applicable. Generally, a qualified ownership change occurs if more than 50% of the share capital or the voting rights are directly or indirectly transferred to a shareholder or a group of shareholders within a period of five years. A qualified ownership change may also occur in case of a transaction comparable to a transfer of shares or voting rights or in case of an increase in capital leading to a respective change in the shareholding. In the case of such a qualified ownership change tax loss carry forwards expire in full. To the extent that the hidden reserves (stille Reserven) taxable in Germany exceed the tax loss carry forward, they may be further utilized despite a qualified ownership change. In case of a qualified ownership change within a group, tax loss carry forwards will be preserved if certain conditions are satisfied. Additionally, tax loss carry forwards may be retained upon application under certain conditions, to the extent that the corporation has exclusively maintained the same business operations since its establishment or at least since the beginning of the third year prior to qualified ownership change ("fortführungsgebundener Verlustvortrag"). If the aforementioned application is made and, after the qualified change of ownership, this business operation is discontinued, the most recently determined tax loss carry forward would be lost.

An appeal has been filed by the fiscal court of Hamburg dated August 29, 2017 – 2 K 245/17 with regard to Section 8c, paragraph 1, sentence 2 KStG (in its superseded version, now: Section 8c paragraph 1 sentence 1 KStG) that is, the forfeiture of all tax loss carryforwards in case more than 50% of shares/voting rights will be assigned to a new shareholder. The appeal is still pending. It is unclear

when the Federal Constitutional Court will decide this case. According to statements in German legal literature, there are good reasons to believe that the Federal Constitutional Court may come to the conclusion that Section 8, paragraph 1, sentence 2 KStG (in its superseded version) is not in line with the German constitution.

As of December 31, 2021, we had NOL carry forwards for German tax purposes of €142.0 million available. Future changes in share ownership may also trigger an ownership change and, consequently, a Section 8c KStG, or a Section 10a GewStG limitation. Any limitation may result in the expiration of the complete tax operating loss carry forwards before they can be utilized. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry forwards to reduce German income tax may be subject to limitations, which could potentially result in increased future cash tax liability to us.

As of December 31, 2021, our U.S. subsidiary, InflaRx Pharmaceuticals, Inc., had €10.2 or $11.5 million of net operating losses for U.S. federal income tax purposes. Transfers or issuances of our equity may impair or reduce the ability of InflaRx Pharmaceuticals, Inc. to utilize U.S. federal net operating loss carryforwards and certain other tax attributes in the future. Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss and tax credit carry forwards and certain built-in losses recognized in years after the ownership change. An "ownership change" is generally defined as an increase in ownership of a corporation's stock by more than 50 percentage points over a rolling three-year period by stockholders that own (directly, indirectly or constructively) 5% or more of the stock of a corporation at any time during the relevant rolling three-year period. If an ownership change occurs, Section 382 imposes an annual limitation on the use of pre-ownership change net operating losses, credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is generally equal to the product of the applicable long-term tax-exempt rate in effect for the month in which the ownership change occurs and the value of the company's stock immediately before the ownership change (subject to some adjustments). For example, this annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized (or treated as recognized) built-in gains and losses for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards or capital loss carryforwards. No assurance can be given that prior transactions have not resulted in an ownership change for purposes of Section 382 of the Code or that future transactions will not result in an ownership change. Even if a subsequent transaction does not result in an ownership change, it may materially increase the likelihood that we will undergo an ownership change in the future. Sales of our common shares by stockholders, whose interests may differ from our interests, may increase the likelihood that we or one of our subsidiaries undergoes an ownership change. If we or our subsidiaries have or were to undergo an ownership change, it could result in increased future tax liability to us.

We may become taxable in a jurisdiction other than Germany and this may increase the aggregate tax burden on us.

Since incorporation we intend to have, on a continuous basis, our place of effective management in Germany. We will therefore be a tax resident of Germany under German national tax law. By reason of our incorporation under Dutch law, we are also deemed tax resident in the Netherlands under Dutch tax law. However, based on our current management structure and current tax laws of the United States, Germany and the Netherlands, as well as applicable income tax treaties, and current interpretations thereof, we should be tax resident solely in Germany for the purposes of the convention between the Federal Republic of Germany and the Netherlands for the avoidance of double taxation with respect to taxes on income of 2012. However, we may become subject to limited income tax liability in other countries with regard to the income generated in the respective other country, for example, due to the existence of a permanent establishment or a permanent representative.

The applicable tax laws or interpretations thereof may change. Furthermore, whether we have our place of effective management in Germany and are as such tax resident in Germany is largely a question of fact and degree based on all the circumstances, rather than a question of law, which facts and degree may also change. Changes to applicable laws or interpretations thereof and changes to applicable facts and circumstances (for example, a change of board members or the place where board meetings take place), may result in us becoming a tax resident of a jurisdiction other than Germany. As a consequence, our overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on our business, results of operations, financial condition and prospects, which could cause our share price and trading volume to decline. However, if there is a double tax treaty between Germany and the respective other country the double taxation of income may be avoided. Thus, the detrimental tax effects should be mitigated by the application of the respective double tax treaty.

We believe it is likely that we were a "passive foreign investment company", or a PFIC, for U.S. federal income tax purposes in 2019, 2020 and 2021, and we may be a PFIC in one or more future taxable years. U.S. shareholders may be subject to adverse U.S. federal income tax consequences in 2021 and in any future taxable year in which we are a PFIC.

We believe it is likely that we were a PFIC for U.S. federal income tax purposes in 2019, 2020 and 2021, and we may be a PFIC in one or more future taxable years. In addition, we may, now or in the future directly or indirectly, hold equity interests in other PFICs. Under the Code, we will be a PFIC for any taxable year in which, after the application of certain look-through rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of passive income or (ii) 50% or more of the average quarterly value of our assets consists of assets that produce, or are held for the production of, passive income. Passive income includes, among other things, dividends, interest, certain non-active rents and royalties, and capital gains. It is possible that we will be a PFIC in any future taxable year because, among other things, (i) we currently own a substantial amount of passive assets, including cash and securities that may give rise to passive income, (ii) the valuation of our assets that generate non-passive income for PFIC purposes, including our intangible assets, is uncertain and may vary substantially over time, and (iii) the composition of our income may vary substantially over time.

If we are a PFIC for any taxable year during which a U.S. investor holds common shares, we would continue to be treated as a PFIC with respect to that U.S. investor for all succeeding years during which the U.S. investor holds common shares, even if we ceased to meet the threshold requirements for PFIC status, unless certain exceptions apply. Such a U.S. investor may be subject to adverse U.S. federal income tax consequences, including (i) the treatment of all or a portion of any gain on disposition as ordinary income, (ii) the application of a deferred interest charge on such gain and the receipt of certain dividends and (iii) compliance with certain reporting requirements.

If we ever pay dividends, we may need to withhold tax on such dividends payable to holders of our shares in both Germany and the Netherlands.

We do not intend to pay any dividends to holders of our shares. However, if we do pay dividends, we may need to withhold tax on such dividends both in Germany and the Netherlands. As an entity incorporated under Dutch law any dividends distributed by us are subject to Dutch dividend withholding tax on the basis of Dutch domestic law. However, on the basis of the double tax treaty between Germany and the Netherlands, the Netherlands will be restricted from imposing dividend withholding tax if we continue to be a tax resident of Germany and our place of effective management is in Germany. However, Dutch dividend withholding tax is still required to be withheld from dividends if and when paid to Dutch resident holders of our shares (and non-Dutch resident holders of our shares that have a permanent establishment in the Netherlands to which their shareholding is attributable). As a result, upon a payment (or deemed payment) of dividends, we will be required to identify our shareholders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment to which the shares are attributable) in respect of which Dutch dividend tax has to be

withheld. Such identification may not always be possible in practice. If the identity of our shareholders cannot be determined, withholding of both German and Dutch dividend tax from such dividend may occur, upon a payment of dividends.

Furthermore, the withholding tax restriction referred to above is based on the current reservation made by Germany under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, or the MLI, with respect to the tie-breaker provision included in Article 4(3) of the double tax treaty between Germany and the Netherlands, orthe MLI tie-breaker reservation. If Germany changes its MLI tie-breaker reservation, we will not be entitled to any benefits of the double tax treaty between Germany and the Netherlands, including the withholding tax restriction, as long as Germany and the Netherlands do not reach an agreement on our tax residency for purposes of the double tax treaty between Germany and the Netherlands, except to the extent and in such manner as may be agreed upon by the authorities. As a result, any dividends distributed by us during the period no such agreement has been reached between Germany and the Netherlands, may be subject to withholding tax both in Germany and the Netherlands.

In addition, a proposed law is pending before the Dutch parliament, namely the Emergency Act Conditional Exit Dividend Tax (*Spoedwet conditionele eindafrekening dividendbelasting*) which would, if enacted, impose a dividend withholding (exit) tax on certain deemed distributions if we cease to be a Dutch tax resident and become a tax resident of a jurisdiction that is not a member of the EU or the EEA, when such jurisdiction does not satisfy certain conditions. In some cases, we would have a right to recover the amount of tax from our shareholders when such shareholder is not entitled to an exemption. If enacted in the form in which it is presently pending before the Dutch parliament, the proposed law will have retroactive effect to 8 December 2021.

Dividends distributed on our shares to certain related entities in low-taxed or non-cooperative jurisdictions might in the future become subject to an additional Dutch withholding tax on dividends, as of 1 January 2024.

We have no plans to pay regular dividends on our ordinary shares. However, if we do pay dividends, under current Dutch tax law, dividends paid by us to holders of our shares could become subject to Dutch dividend withholding tax at a rate of 15% under the Dutch Dividend Withholding Tax Act (*Wet op de dividendbelasting 1965*), unless a domestic or treaty exemption or reduction applies; Considerations'As of 1 January 2024, a Dutch conditional withholding tax will be imposed on dividends paid to related entities in jurisdictions that have a corporate income tax rate below 9% (low-tax jurisdiction) or jurisdictions that are included on the EU's blacklist of non-cooperative jurisdictions (non-cooperative jurisdictions for tax purposes). In addition, the conditional withholding tax on dividends may also apply in situations where artificial structures are put in place with the main purpose or one of the main purposes to avoid the conditional withholding tax or in the event of a hybrid mismatch. The conditional withholding tax will be imposed at the highest Dutch corporate income tax rate in effect at the time of the distribution (currently 25.8%). The conditional withholding tax on dividends will be reduced, but not below zero, by any regular Dutch dividend withholding tax withheld in

respect of the same dividend payment. As such, based on the currently applicable rates, the overall effective tax rate of withholding the regular dividend withholding tax and conditional withholding tax will not exceed the highest corporate income tax rate in effect at the time of the distribution (currently 25.8%). As of 1 January 2024, the withholding tax rate on dividends paid to shareholders that are (A) entities related (*gelieerd*) to us and (B)(i) established in a low-taxing state or non-cooperative jurisdiction for tax purposes, (ii) a hybrid entity or reverse hybrid entity or (iii) interposed to avoid tax otherwise due by another entity, may rise from 15% to the highest corporate tax rate (currently 25.8%).

We are a Dutch public company with limited liability. The rights of our shareholders are different from the rights of shareholders in companies governed by the laws of U.S. jurisdictions and may not protect investors in a similar fashion afforded by incorporation in a U.S. jurisdiction.

We are a public company with limited liability (*naamloze vennootschap*) organized under the laws of the Netherlands. Our corporate affairs are governed by our Articles of Association and by the laws governing companies incorporated in the Netherlands. However, there can be no assurance that Dutch law will not change in the future or that it will serve to protect investors in a similar fashion afforded under corporate law principles in the United States, which could adversely affect the rights of investors.

The rights of shareholders and the responsibilities of directors may be different from the rights and obligations of shareholders and board members in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our executive officers and board of directors are required by Dutch law to consider the interests of our company, its shareholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a shareholder.

Provisions of our Articles of Association or Dutch corporate law might deter acquisition bids for us that might be considered favorable and prevent, delay or frustrate any attempt to replace or remove the members of our board of directors.

Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law. Our governance arrangements include several provisions that may have the effect of making a takeover of our company more difficult or less attractive. In this respect, our general meeting of shareholders granted the right to an independent foundation under Dutch law, or protective foundation, to acquire preferred shares pursuant to a call option agreement, or the call option agreement, entered into between us and such foundation. This call option under the call option agreement shall be continuous in nature and can be exercised repeatedly on multiple occasions.

If the protective foundation exercises the call option pursuant to the call option agreement, an amount of preferred shares up to 100% of our issued capital held by others than the protective foundation, minus one share, will be issued to the protective foundation. These preferred shares will be issued to the protective foundation under the obligation to pay up to 25% of their nominal value upon issuance. In order for the protective foundation to finance the issue price in relation to the preferred shares, the protective foundation is expected to enter into a finance arrangement with a bank. As an alternative to securing financing with a bank, subject to applicable restrictions under Dutch law, the call option agreement provides that the protective foundation may request us to provide, or cause our subsidiaries to provide, sufficient funding to the protective foundation to enable it to satisfy the payment obligation (or part thereof) in cash and/or to charge an amount equal to the payment obligation (or part thereof) against our profits and/or reserves in satisfaction of such payment obligation.

The protective foundation's articles of association provide that it will promote and protect the interests of the company, the business connected with the company and the company's stakeholders

from time to time, and repressing possible influences which could threaten the strategy, continuity, independence and/or identity of the company or the business connected with it, to such an extent that this could be considered to be damaging to the aforementioned interests. These influences may include a third party acquiring a significant percentage of our common shares, the announcement of an unsolicited public offer for our common shares, shareholder activism, other concentration of control over our common shares or any other form of undue pressure on us to alter our strategic policies. The protective foundation shall be structured to operate independently of us.

If the protective foundation were to exercise its call option, the preferred shares to be issued pursuant thereto would be issued against the obligation to pay up to 25% of their nominal value. The voting rights of our shares are based on nominal value and, as we expect our common shares to trade substantially in excess of nominal value, preferred shares issued at 25% of their nominal value can carry significant voting power for a substantially reduced price compared to the price of our common shares and thus can be used as a defensive measure. These preferred shares will have both a liquidation and dividend preference over our common shares and will accrue cash dividends at a pre-determined rate. The protective foundation would be expected to require us to cancel its preferred shares once the perceived threat to the company and its stakeholders has been removed or sufficiently mitigated or neutralized. However, subject to the same limitations described above, the protective foundation would continue to have the right to exercise the call option in the future in response to a new threat to the interests of us, our business and our stakeholders from time to time.

In addition, certain provisions of our Articles of Association may make it more difficult for a third party to acquire control of us or effect a change in our board of directors. These provisions include: a provision that our directors are appointed on the basis of a binding nomination prepared by our board of directors which can only be overruled by a two-thirds majority of votes cast representing more than 50% of our issued share capital; a provision that our directors may only be removed by the general meeting of shareholders by a two-thirds majority of votes cast representing more than 50% of our issued share capital (unless the removal is proposed by the board in which case a simple majority of the votes can be sufficient); and a requirement that certain matters, including an amendment of our Articles of Association, may only be brought to our shareholders for a vote upon a proposal by our board of directors.

We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code. This may affect your rights as a shareholder.

We are a Dutch public company with limited liability (*naamloze vennootschap*), and we are subject to the Dutch Corporate Governance Code, or DCGC. The DCGC contains both principles and best practice provisions that regulate relations between the board of directors and the shareholders (such as the general meeting of shareholders). The DCGC is based on a "comply or explain" principle. Accordingly, companies are required to disclose in their annual reports, filed in the Netherlands, whether they comply with the provisions of the DCGC. If they do not comply with those provisions (for example, because of a conflicting Nasdaq requirement), the company is required to give the reasons for such non-compliance.

The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including Nasdaq. We do not comply with all the best practice provisions of the DCGC. For a list of the most substantial DCGC best practices that we do not comply with. This may affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under the laws of the Netherlands, and our headquarters is located in Germany. Substantially all of our assets are located outside the United States. The majority of our directors and executive officers reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against

them or us in U.S. courts, including judgements predicated upon the civil liability provisions of the federal securities laws of the United States.

There is currently no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgements (other than arbitration awards) in civil and commercial matters. Therefore, a final judgement for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is relitigated before a Dutch court of competent jurisdiction. Under current practice, however, a Dutch court will generally, subject to compliance with certain procedural requirements, grant the same judgement without a review of the merits of the underlying claim if such judgement (i) is a final judgement and has been rendered by a court which has established its jurisdiction vis-à-vis the relevant Dutch companies or Dutch company, as the case may be, on the basis of internationally accepted grounds of jurisdiction, (ii) has not been rendered in violation of principles of proper procedure (*behoorlijke rechtspleging*), (iii) is not contrary to the public policy of the Netherlands, and (iv) is not incompatible with (a) a prior judgement of a Netherlands court rendered in a dispute between the same parties, or (b) a prior judgement of a foreign court rendered in a dispute between the same parties, concerning the same subject matter and based on the same cause of action, provided that such prior judgement is capable of being recognized in the Netherlands. Dutch courts may deny the recognition and enforcement of punitive damages or other awards.

Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgements of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Code of Civil Procedure. Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce any judgements obtained in U.S. courts in civil and commercial matters, including judgements under the U.S. federal securities.

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgements in civil and commercial matters. Consequently, a final judgement for payment or declaratory judgements given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in Germany. German courts may deny the recognition and enforcement of a judgement rendered by a U.S. court if they consider the U.S. court not to be competent or the decision to be in violation of German public policy principles. For example, judgements awarding punitive damages are generally not enforceable in Germany. A German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

In addition, actions brought in a German court against us, our directors, our executive officers and the experts named herein to enforce liabilities based on U.S. federal securities laws may be subject to certain restrictions. In particular, German courts generally do not award punitive damages. Litigation in Germany is also subject to rules of procedure that differ from the U.S. rules, including with respect to the taking and admissibility of evidence, the conduct of the proceedings and the allocation of costs. German procedural law does not provide for pre-trial discovery of documents, nor does Germany support pre-trial discovery of documents under the 1970 Hague Evidence Convention. Proceedings in Germany would have to be conducted in the German language and all documents submitted to the court would, in principle, have to be translated into German. For these reasons, it may be difficult for a U.S. investor to bring an original action in a German court predicated upon the civil liability provisions of the U.S. federal securities laws against us, our directors, our executive officers and the experts named in this Annual Report.

Based on the lack of a treaty as described above, U.S. investors may not be able to enforce against us or directors, executive officers or certain experts named herein who are residents of or possessing

assets in the Netherlands, Germany, or other countries other than the United States any judgements obtained in U.S. courts in civil and commercial matters, including judgements under the U.S. federal securities laws.

2.2.7 General Risk Factors

COVID-19 has adversely impacted, and could continue to impact, our business, including our supply chain, clinical trials and commercialization of our product candidates.[1]

The continued spread of the COVID-19 pandemic is adversely impacting clinical and preclinical trials globally and in different therapeutic areas. Our clinical trials or preclinical studies, including our ability to recruit and retain patients, principal investigators and site staff who, as healthcare providers, were impacted in 2021 and may be further significantly impacted. We, or our third-party contractors, manufacture our product candidates and perform clinical studies in different countries, including in Europe, Asia, the United States and South America. The impact of the COVID-19 pandemic varies among these countries; however, measures implemented by local, state or federal authorities to counter the spread of the COVID-19 pandemic have affected the ability of clinical and other staff to access research sites, including hospitals, manufacturing plants and laboratories, which have, and could continue to, significantly delay and impede our and our contractor's activities in such countries. Such delays or impediments could have a material adverse effect on our business, financial condition, results of operations, and prospects.

The negative impact of the pandemic has had and may continue to have on patient enrollment and treatment, and the timing and execution of our clinical trials, could cause costly delays to our clinical trial activities, which could adversely affect our ability to obtain regulatory approval for and to advance towards commercialization, increase operating expenses and have a material adverse effect on our business and financial results.

In response to the COVID-19 pandemic, we have implemented, and continue to implement, mitigation procedures designed to enable us to address the various issues that continue to arise from the COVID-19 pandemic, although there can be no assurance that these procedures will be successful or that we can avoid a material and adverse disruption to our business. As the pandemic continues, we experienced the prioritization of hospital resources toward the outbreak and further restrictions on travel. Furthermore, some patients may be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if quarantines or travel restrictions impede patient movement or interrupt healthcare services.

The COVID-19 pandemic may also further negatively affect the operations of third-party contract research organizations that we rely upon to carry out our clinical trials or the operations of our third-party manufacturers, each of which could result in delays or disruptions in the supply of our product candidates. While our supply chain has not been significantly affected, there can be no assurances that we will not experience supply disruptions in the future.

In addition, the spread of COVID-19 has resulted in significant governmental measures being implemented to control the spread of the COVID-19 pandemic. Public health officials have recommended and mandated precautions to mitigate the spread of COVID-19, including prohibitions on congregating, traveling across borders, shelter-in-place orders and other similar measures. We have taken precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring some or all of our employees to work remotely, suspending all non-essential travel. Such measures have been implemented to warrant the health and well-being of our employees, but they could negatively affect our business as remote work may prove to be less effective in con-

ducting our business operations. The COVID-19 pandemic has also caused volatility in the global financial markets and has resulted in an associated recession in the global economy, which in the long term may negatively affect our ability to raise additional capital on attractive terms or at all.

While many countries are in the process of vaccinating their residents against COVID-19, the large scale and challenging logistics of distributing the vaccines, adoption rates, as well as uncertainty over the efficacy of the vaccine against new variants of the virus may contribute to delays in economic recovery. Considering the evolving nature of COVID-19, the impact of the COVID-19 pandemic on our business, financial condition and results of operations could materially change in the future. The degree to which the COVID-19 pandemic affects us will depend on future developments that are highly uncertain, including, but not limited to, the duration and severity of the COVID-19 pandemic, the actions taken to reduce/cease the virus' transmission and the extent to which more stable economic and operating conditions resume. If the COVID-19 pandemic and the associated recession continue for a prolonged period of time, our business, financial condition, results of operations, and clinical trial activities could be further negatively impacted.

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We expect our expenses may increase in connection with expansion of operations. To the extent that we raise additional capital through the issuance of common shares, convertible securities or other equity securities, your ownership interest may be diluted, and the terms of these securities could include liquidation or other preferences and anti-dilution protections that could adversely affect your rights as a common shareholder. In addition, debt financing, if available, may result in fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming shares or declaring dividends, that could adversely impact our ability to conduct our business. In addition, securing financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the development of our product candidates.

If we raise additional funds through collaborations or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do, and reducing or eliminating our commercial opportunity.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we, or any future collaborators, may develop. Our competitors also may obtain FDA or other marketing approval for their products before we, or any future collaborators, are able to obtain approval for ours, which could result in our competitors establishing a strong market position before we, or any future collaborators, are able to enter the market.

Many of our existing and potential future competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining marketing approvals and marketing approved products than we do, and may be able to reduce the price at which they sell their products. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant

competitors, particularly if acquired by, or through collaborative arrangements with, large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, the development of our product candidates.

The development and commercialization of new products is highly competitive. We expect that we, and any future collaborators, will face significant competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to any of our product candidates that we, or any future collaborators, may seek to develop or commercialize in the future. For example, other pharmaceutical companies may commence development efforts for product candidates targeting the same indications as vilobelimab, including HS, severe COVID-19, AAV, PG or indications in the oncology field including cSCC, or any other indications we may target. For a detailed analysis of the competitive environment in which we operate.

If any product liability lawsuits are successfully brought against us or any of our collaboration partners, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability lawsuits related to the testing of our product candidates in seriously ill patients and will face an even greater risk if our product candidates are approved by regulatory authorities and introduced commercially. Product liability claims may be brought against us or our partners by participants enrolled in our clinical trials, patients, health care providers or others using, administering or selling any of our future approved products. If we cannot successfully defend ourselves against any such claims, we may incur substantial liabilities.

If any of our product candidates are approved for commercial sale, we will be highly dependent upon consumer perceptions of us and the safety and quality of our products. We could be adversely affected if we are subject to negative publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies.

Although we maintain product liability insurance coverage, this insurance may not fully cover potential liabilities that we may incur. The cost of any product liability litigation or other proceeding, even if resolved in our favor, could be substantial. We will need to increase our insurance coverage if we commercialize any product that receives marketing approval. In addition, insurance coverage is becoming increasingly expensive and difficult to obtain. If we are unable to maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims, it could prevent or inhibit the development and commercial production and sale of our product candidates, which could harm our business, financial condition, results of operations and prospects.

We may be unsuccessful in evaluating material risks involved in future acquisitions.

We may, in the future, acquire companies, products and/or platforms that are complementary to our operational and customer needs. As part of the process, we may conduct business, legal and financial due diligence to identify and evaluate material risks involved in any particular transaction. Despite these efforts, we may be unsuccessful in ascertaining or evaluating all such risks. As a result, the intended advantages of any given acquisition may not be realized. If we fail to identify certain material risks from one or more acquisitions we may be exposed to significant costs and our business could be negatively impacted.

We may not be able to enforce our intellectual property rights throughout the world.

Filing, prosecuting, maintaining, enforcing and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. The requirements for patentability may differ in certain countries, particularly in developing countries;

thus, even in countries where we do pursue patent protection, there can be no assurance that any patents will issue with claims that cover our product candidates.

Moreover, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in the United States and foreign intellectual property laws. Additionally, laws of some countries outside of the United States and Europe do not afford intellectual property protection to the same extent as the laws of the United States and Europe. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, including India, China and other countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation or other violations of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in certain countries outside the United States and Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop and market their own products and, further, may export otherwise infringing products to jurisdictions where we have patent protection, if our ability to enforce our patents to stop infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Agreements under which we may be granted a license to any patent rights may not give us sufficient rights to permit us to pursue enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents (or control of enforcement or defense) of such patent rights in all relevant jurisdictions as requirements may vary.

Proceedings to enforce our patent rights in the United States or foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and resources from other aspects of our business. Moreover, such proceedings could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Furthermore, while we intend to seek to protect our intellectual property rights in major markets for our product candidates, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe, misappropriate, or otherwise violate our patents, trademarks, copyrights or other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement or other claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors and may curtail or preclude our ability to exclude third parties from developing, making and selling similar or competitive products. Similarly, if we were to assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have

asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the price of our common shares. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings. Any such litigation could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If we fail to comply with our obligations under any future or other intellectual property licenses with third parties, we could lose license rights that are important to our business.

We may be reliant upon licenses to certain patent rights and proprietary anti-C5a and anti-C5aR technology and other intellectual property from third parties that are important or necessary to the development of our product candidates and the manufacture and other commercialization of our products. These and other licenses may not provide exclusive rights to use such intellectual property and technology in all relevant fields of use and in all territories in which we may wish to develop, manufacture or commercialize our technology and products in the future. As a result, we may not be able to prevent competitors from developing, manufacturing and commercializing competitive products in territories included in all of our licenses. Our licensors may have sublicensed patents and other intellectual property owned by a third party, or relied on third-party consultants or collaborators or funds from third parties that have an ownership or other right, title or interest in or to such in-licensed intellectual property, such that our licensors are not the sole and exclusive owners of the patents and other intellectual property we in-license. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

In addition, agreements under which we may license patent rights may not give us control over patent filings prosecution or maintenance, so that we may not be able to control which claims or arguments are presented and may not be able to secure, maintain, or successfully enforce and defend necessary or desirable patent protection from those patent rights. We cannot be certain that patent filing prosecution and maintenance activities by our licensors will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents. Even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our future or any existing licensors, and cannot guarantee that we would receive it and on what terms. We cannot be certain that our future licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in any licensed patents. If we cannot obtain patent protection or enforce existing or future patents against third parties, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Further, agreements under which we may license technology or any other intellectual property to or from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant technology or any other intellectual property, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial conditions, results of operations, and prospects. Moreover, if disputes over technology or other intellectual property that we may license prevent or impair our ability to maintain our licensing arrangements on

commercially acceptable terms, we may be unable to successfully develop manufacture and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects. Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights that may be granted under license agreements and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property rights of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under current and any future collaborative development relationships;
- our diligence obligations under any license agreement and what activities satisfy such obligations;
- the inventorship and ownership of inventions and know-how and other intellectual property resulting from the joint creation or use of intellectual property by our license counterparties and us and our partners; and
- the priority of invention of patented technology.

In spite of our best efforts, our license counterparties might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, which may remove our ability to develop manufacture- and commercialize the product candidates and technology covered by these license agreements. If any in-licenses are terminated, competitors may be able to seek regulatory approval of, and to market, products identical to ours. It is possible that we may be unable to obtain any additional licenses that we require at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our product candidates, technology, or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop, manufacture or commercialize the affected product candidates, which could harm our business, financial condition, results of operations, and prospects significantly. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be negatively impacted and our business would be harmed.

In addition to the protection afforded by patents, we also rely on trade secret protection for certain aspects of our intellectual property. However, trade secrets are difficult to protect. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, independent contractors, advisors, contract manufacturers, suppliers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants and independent contractors. Any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret. Further, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed or otherwise obtained by a competitor or other third party, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our marks of interest and our business may be adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may receive rejections. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

Cyber-attacks or other failures in telecommunications or information technology systems could result in information theft, data corruption and significant disruption of our business operations.

We utilize information technology, or IT, systems and networks to process, transmit and store electronic information in connection with our business activities. As use of digital technologies has increased, cyber incidents, including deliberate attacks and attempts to gain unauthorized access to computer systems and networks, have increased in frequency and sophistication. These threats pose a risk to the security of our systems and networks, the confidentiality and the availability and integrity of our data. There can be no assurance that we will be successful in preventing cyber-attacks or successfully mitigating their effects. Similarly, there can be no assurance that our collaborators, CROs, third-party logistics providers, distributors and other contractors and consultants will be successful in protecting our clinical and other data that is stored on their systems. Any cyber-attack or destruction or loss of data could have a material adverse effect on our business and prospects. In addition, we may suffer reputational harm or face litigation or adverse regulatory action as a result of cyber-attacks or other data security breaches and may incur significant additional expense to implement further data protection measures.

We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

We are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. If in the future we are not a foreign private issuer as of the last day of the second fiscal quarter in any fiscal year, we would be required to comply with all of the periodic disclosure, current reporting requirements and proxy solicitation rules of the Exchange Act applicable to U.S. domestic issuers. In order to maintain our current status as a foreign private issuer, either (a) a majority of our common shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our directors and executive officers may not be United States citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we were to lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and stock exchange rules. The regulatory and compliance costs to us if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. These rules and regulations could also make it more difficult for us to attract and retain qualified directors.

If our internal controls over financial reporting fail to be effective, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial and other public information and have a negative effect on the trading price of our common shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Section 404 of the Sarbanes-Oxley Act of 2002 requires management of public companies to develop and implement internal controls over financial reporting and evaluate the effectiveness thereof. If we fail to design and operate effective internal controls, it could result in material misstatements in our financial statements, impair our ability to raise revenue, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions, which in turn could harm the market value of our common shares.

We are required to disclose changes made in our internal controls and procedures and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We will cease to be an "emerging growth company" on December 31, 2022. Accordingly, in our Annual Report on Form 20-F for the year ended December 31, 2022, we will be required to adhere to, among other things, the auditor attestation requirement in the assessment of internal controls over financial reporting. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Dutch cooling-off period in face of shareholder activism or hostile take-over

As of the date of this board report, a bill is pending in Dutch Senate which, if enacted in its current form, would introduce a statutory cooling-off period of up to 250 days during which the general meeting of shareholders would not be able to dismiss, suspend or appoint members of the board (or amend the provisions in the articles of association dealing with those matters) unless those matters would be proposed by the management board. This cooling-off period could be invoked by the management board in case:

- shareholders, using either their shareholder proposal right or their right to request a general meeting of shareholders, propose an agenda item for the general meeting of shareholders to dismiss, suspend or appoint a member of the board (or to amend any provision in the articles of association dealing with those matters); or

- a public offer for the Company is made or announced without the Company's support, provided, in each case, that the management board believes that such proposal or offer materially conflicts with the interests of the Company and its business.

The cooling-off period, if invoked, ends at occurrence of the earliest of the following events:

- the expiration of 250 days from:

  i) in case of shareholders using their shareholder proposal right, the day after the deadline for making such proposal expired;

  ii) in case of Shareholders using their right to request a general meeting of shareholders, the day when they obtain court authorization to do so; or

  iii) in case of a hostile offer being made, the first following day;

- the day after the hostile offer having been declared unconditional; or
- the board voluntarily terminating the cooling-off period.

In addition, shareholders representing at least 3% of the Company's issued share capital may request the Dutch Enterprise Chamber of the Amsterdam Court of Appeals for early termination of the cooling-off period. The Enterprise Chamber must rule in favor of the request if the shareholders can demonstrate that:

- the board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have come to the conclusion that the relevant shareholder proposal or hostile offer constituted a material conflict with the interests of the Company and its business;
- the board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making;
- if other defensive measures have been activated during the cooling-off period and not terminated or suspended at the relevant shareholders' request within a reasonable period following the request (i.e., no 'stacking' of defensive measures).

During the cooling-off period, if invoked, the board must gather all relevant information necessary for a careful decision-making process. In this context, the board must at least consult with shareholders representing at least 3% of the Company's issued share capital at the time the cooling-off period was invoked. Formal statements expressed by these stakeholders during such consultations must be published on the Company’s website to the extent these stakeholders have approved that publication.

Ultimately one week following the last day of the cooling-off period, the board must publish a report in respect of its policy and conduct of affairs during the cooling-off period on the Company's website. This report must remain available for inspection by shareholders and others with meeting rights under Dutch law at the Company's office and must be tabled for discussion at the next general meeting of shareholders.

2.3 Risk Control Measures

The activities of the Company is continuously subject to external and internal developments and changes in circumstances that translate into risk potentials. Preventing or minimizing risks and thus ensuring the long-term existence of the Company is the central task of systematic risk management. Risk management is a dynamic process that can be broken down into sub-processes. These sub-processes are risk identification, risk evaluation, risk management and risk control.

We define a “risk” as an unexpected or adverse event arising from a specific business activity of the Company, that may have a negative impact on the Company's operations, adverse effects on the net assets, financial position or results of operations or adverse effects on the further positive development of the Company. In general, one can categorize risks in strategic, operational, external and financial risks.

Entrepreneurial action is generally associated with risks. We practice a conscious approach to our risks, i.e. their identification, evaluation, active management and control. Risks are regularly monitored. Risky developments are systematically counteracted promptly by targeted measures. In detail, this also includes the early and, above all, regular information of Executive Management with regard to relevant risks by the responsible risk owners as well as the regular information of the Board of Directors about essential risks, as well as regular reporting in our mandatory financial disclosures. Preventively defined processes, clearly defined structures and the sense of responsibility of each individual Executive Management member and employee are the foundation of an effective risk management.

In order to constantly optimize processes and ensure compliance with our internal requirements as well as the external rules, laws and regulations we have to follow as publicly listed company on the NASDAQ stock exchange, each department or division must continuously review, evaluate and, if necessary, adapt its risks to changing conditions.

The risk management system at InflaRx is implemented across all organizational levels of the Company. For each identified risk area, an individual risk owner is named who is responsible for all organizational processes in connection with the RMS in her/his area.

Regular meetings between the executive management and the individual risk owners are held for efficient and timely communication. In order to identify and evaluate the risks, a comprehensive risk analysis is carried out once a calendar quarter at a company-wide level, which includes all departments and projects of the Company (including the assessment of external risks). The risks identified and evaluated by the risk owners are then included in a risk catalogue.

The risk owners are responsible to name and describe all individual risks that impair the functionality of the Company or individual areas, as well as to identify their causes. The risk principles relevant to the Company, basic procedures and responsibilities in the risk management process, but also the definition of risk assessment standards are known to those responsible for risks. Internal risk reporting by means of a risk catalogue is used for systematic and complete identification. The identified risks are recorded, described, documented and evaluated in the risk catalogue and provided with appropriate measures specifying a time window. Changes are also documented accordingly.

When identifying a risk, the respective risk owner has to decide if the risk is ongoing (permanent) or project related (transient). Going forward, within the next quarterly risk review, potential newly identified risks have to be included as well as obsolete risks to be deleted.

According to the priority of the risks as result of the risk evaluation, they are addressed by concrete actions and, if appropriate and possible, necessary countermeasures. In principle, the following different approaches are possible risk avoidance, risk reduction, risk acceptance and risk passing,

In order to be able to react quickly and flexibly to risks, risk management is integrated into existing processes and reporting channels. Risk owners appointed are responsible for targeted and regular monitoring of risks. They must independently and continuously monitor the identified risks and the measures taken and, in the event of danger, immediately inform the next higher hierarchical level (usually the management).

Major and critical risks that have a loss potential of more than €750,000 as well as significant ad-hoc risks must be reported directly to management and, if applicable, to the Board of Directors of the Company. The Executive Management is responsible for the early detection, countermeasures and monitoring of significant risks. Furthermore, risk awareness is an integral part of the corporate culture in all departments and in all projects.

The risk catalogue is approved by the Executive Management at the latest at the beginning of the audit of the respective financial year by the auditors or the audit review of the respective quarterly figures.

The willingness to assume risks is called the “risk appetite”. The level of risk appetite indicates as to whether the Company will take counter-measures to control such risks. The general risk overview ta-

ble outlines the appetite as well as the potential probability of materialization and impact on the Company's objectives. The categories of impact, probability and risk appetite are: low (+), medium (++) and high (+++).

Section	Risk	Impact	Probability	Risk Appetite
2.2.1	Risks related to our financial position and need for additional capital	++	+	+
2.2.2	Risks related to the discovery, development and commercialization of our product candidates	+++	++	++
2.2.3	Risks related to our dependence on third parties	+	+	+
2.2.4	Risks related to our intellectual property	++	+	+
2.2.5	Risks related to employee matters and managing growth	+	+	++
2.2.6	Risks related to our common shares and our status as a public company	++	+	++
2.2.7	General Risk Factors	+	+	+

3 INFORMATION ON THE COMPANY

3.1 History and development of the Company

We are a clinical-stage biopharmaceutical company focused on applying our proprietary anti-C5a and anti-C5aR technology to discover and develop first-in-class, potent and specific inhibitors of the complement activation factor known as C5a. C5a is a powerful inflammatory mediator involved in the progression of a wide variety of autoimmune and other inflammatory diseases. Our lead product candidate, vilobelimab, is a novel intravenously delivered first-in-class anti-C5a monoclonal antibody that selectively binds to free C5a and has demonstrated disease-modifying clinical activity and tolerability in multiple clinical settings. We are developing vilobelimab for the treatment of Hidradenitis Suppurativa, or HS, a rare and chronic debilitating systemic inflammatory skin disease, for which we are conducting a Phase IIII study, which we initiated in January 2022. Beyond HS, we intend to develop vilobelimab and other proprietary development candidates to address a wide array of complement-mediated diseases with significant unmet medical needs, including severe COVID-19, ANCA-associated vasculitis, or AAV, a rare and life-threatening autoimmune disease; Pyoderma Gangrenosum, or PG, a chronic inflammatory skin disorder and cutaneous Squamous Cell Carcinoma (cSCC) and potentially other new indications.

Our legal and commercial name is InflaRx N.V.. InflaRx was founded in 2007 as InflaRx GmbH by Professor Niels Riedemann and Professor Renfeng Guo in Jena, Germany. Our agent for service of process in the United States is InflaRx Pharmaceuticals, Inc. located at 600 S Wagner Rd, Ann Arbor, MI 48103. Our principal executive offices and laboratories are located in Winzerlaer Str. 2, 07745 Jena, Germany, telephone: (+49) 3641 508 180. We have additional offices in Planegg-Martinsried (Munich), Germany and in Ann Arbor, Michigan, United States, where we also have laboratories. We employ a total of 59 employees, 18 of whom have M.D. or Ph.D. degrees. Our management team has extensive experience in the field of complement research, clinical research and the biopharmaceutical industry. Both our Chief Executive Officer and founder, Professor (Dr.) Niels Riedemann, and our Chief Scientific Officer and founder, Professor Renfeng Guo, have over 20 years of complement research experience, having published extensively on C5a and its receptors. Our Chief Financial Officer, Dr. Thomas Taapken, has served in executive positions and boards for various private and public European biotechnology companies over the last 17 years and has 25 years total experience in the biopharmaceutical and venture capital industries. Jordan Zwick, our Chief Strategy Officer, has over a decade of experience in working in finance, marketing and corporate development in a range of industries including life sciences and financial services. In this role, he was responsible for business development transactions, alliance management, strategic planning and portfolio management. Dr. Korina

Pilz, our Chief Clinical Development Officer, worked over 20 years in roles of increasing responsibility in academia and several biotechnology and pharmaceutical companies. She established successful international clinical development plans and led international, multi-cultural project groups responsible for execution of a broad spectrum of clinical studies, including first-in-human and Phase I to Phase III studies.

In connection with our initial public offering in the fourth quarter of 2017, InflaRx executed a corporate reorganization whereby InflaRx N.V. became the holding company for InflaRx GmbH, which remains the principal operating subsidiary of InflaRx and InflaRx Pharmaceutical Inc. which was subsequently founded in 2018.

The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. Our website can be found at www.inflarx.de. The information on our website is not incorporated by reference into this Annual Report, and you should not consider information contained on our website to be a part of this Annual Report.

3.2 Business overview

Overview

C5a is a central part of the complement system and a critical component of the innate immune system. The most prominent role of the complement system is to help the body defend itself against invading microorganisms through several mechanisms, including the rapid creation of an inflammatory environment and the production of factors that directly kill pathogens and recruit immune cells to sites of infection. Activation of the complement system ultimately results in the cleavage of C5, which leads to the generation of C5a and C5b. C5a creates an inflammatory environment by attracting and strongly activating neutrophils as well as by causing many different cell types to generate pro-inflammatory molecules. Such inflammation normally benefits the body by helping to fight infection, but excessive or uncontrolled generation of C5a can cause severe damage to the body's own tissue, thereby contributing to the pathophysiology of many autoimmune and inflammatory diseases.

While the mode of action of C5a in inflammation has been intensely researched and confirmed, developing a highly specific antibody with the ability to fully block C5a while preserving a critical innate defense mechanism, the formation of the Membrane Attack Complex, or MAC, has been challenging. As such, there are currently no approved drugs that specifically target C5a.

Our discovery of a novel epitope, or binding site, on C5a allowed us to overcome this challenge. We have identified antibodies that potently and selectively bind to this conformational epitope to completely block C5a without compromising important upstream functions of the complement system, as well as MAC formation. We intend to discover and develop treatments leveraging our proprietary anti-C5a technology to address a wide array of complement-mediated diseases with significant unmet needs.

Unlike its ligand C5a, C5aR can be pharmacologically inhibited by small molecules. It is generally believed that blockade of C5a using antibodies offers a fast, complete, and safe way to control C5a-induced inflammation. The advantage of a small molecule inhibitor to C5aR is that it can be administered orally, thereby offering broad, long-term ease of administration to patients. Through proper clinical investigation of these small molecule C5aR antagonists in diseases induced by the activation of C5aR/C5aR axis, the safety and efficacy of these agents can be established. As such, the development of both, C5a and C5aR blocking agents, is possible to combat a variety C5a/C5aR-associated diseases.

Vilobelimab

Hidradenitis Suppurativa

Vilobelimab is currently being developed for the treatment of *hidradenitis suppurativa*, or HS, a chronic debilitating systemic inflammatory skin disease, where we estimate that moderate to severe HS has a prevalence of up to 200,000 patients, while increasing evidence exists that the prevalence may be higher. HS results in painful inflammation of the skin and hair follicles, especially in the armpit, groin and genitalia regions. In the more chronic form of the disease, patients experience draining tunnels (previously referred to as draining fistulas), often requiring the use of bandages and diapers to absorb the constant flow of pus, thus adversely affecting quality of life. We have demonstrated that HS patients have significant complement activation, and in particular that C5a is a key promoter of neutrophil activation, believed to play a potential disease promoting role.

The only approved drug in the United States and in Europe to treat HS is adalimumab, an inhibitor of tumor necrosis factor-alpha, or TNF-alpha. Although adalimumab provides clinical benefit to a portion of moderate to severe HS patients, a high unmet medical need still persists.

We are currently conducting a randomized, double-blind, placebo-controlled, multicenter pivotal Phase III study to determine efficacy and safety of vilobelimab in patients with moderate to severe HS and actively draining tunnels, which we initiated in January 2022 and which was paused in February 2022, after having received conflicting advice from the FDA regarding the proposed clinical trial protocol and the primary endpoint of the study described therein. In March 2022, the FDA corrected its advice to us and we are currently evaluating next steps regarding the development of vilobelimab in HS.

COVID-19

We are also developing vilobelimab in severe COVID-19. On March 31, 2020, we initiated a randomized open label multicenter trial Phase II/III clinical development program with vilobelimab in severe COVID-19 patients with severely progressed pneumonia. In the Phase II part of the study, we evaluated vilobelimab treatment plus best supportive care compared to best supportive care alone for up to 28 days. Vilobelimab treatment was associated with a lower 28-day all-cause mortality when compared to the best supportive care group, along with trends in disease improvement, as evidenced by fewer patients experiencing renal impairment assessed by estimated glomerular filtration rates, more patients showing reversal of blood lymphocytopenia and a greater lowering of lactate dehydrogenase concentrations. Subsequently, we announced the first patient enrolled in the Phase III part of the study. An interim analysis by an independent data monitoring committee (IDMC), which took place in July 2021 and analyzed the data of the first 180 patients evaluable for the 28-day mortality endpoint, led to a recommendation to continue the study as planned. On October 12, 2021, we announced full enrollment of the study at 369 mechanically ventilated patients with COVID-19 across sites in the EU, South America and other regions. The primary endpoint is 28-day all-cause mortality and topline data is expected within the first quarter of 2022. The results from this Phase III trial will heavily influence our decision with respect to any future development of vilobelimab in COVID-19 and the larger strategic focus of the company.

On October 19, 2021, we announced that we received a grant of up to EUR 43.7 million from the German Ministry of Education and Research and the German Ministry of Health to support the Company's development of vilobelimab for the treatment of severe COVID-19 patients. The initial tranche amounts to up to EUR 25.8 million and is structured as reimbursement of 80% of certain pre-specified expenses related to the clinical development and manufacturing of vilobelimab. The remainder of the grant will be awarded in three additional subsequent tranches, each conditional on reaching agreed-upon development and manufacturing-related milestones for the preceding tranche and structured as reimbursement for Company expenses. Individual tranches will not be paid if the preceding milestone of a tranche is not met.

Anti-neutrophil cytoplasm antibody (ANCA) associated vasculitis

We are also developing vilobelimab for the treatment of ANCA associated vasculitis, or AAV, a rare, life-threatening autoimmune disease associated with powerful inflammatory flares that impair

kidney function and lead to fatal organ dysfunction. This disease affects approximately 40,000 and 75,000 patients in the United States and Europe, respectively. In addition, this disease has a reported incidence of 4,000 and 7,500 new patients per year in the United States and Europe, respectively.

In October 2018, we dosed the first patient in a randomized, triple blind, placebo-controlled Phase II study with vilobelimab in patients with AAV. The main objective of the study was to evaluate the efficacy and safety of two dosing regimens of vilobelimab in patients with moderate to severe AAV, when dosed in addition to standard of care, which includes treatment with high dose glucocorticoids and either cyclophosphamide or rituximab. The primary endpoint of the study was the number and percentage of subjects who experience at least one treatment-emergent adverse event (TEAE) per treatment group at week 24. Nineteen patients were enrolled at centers in the US. In May 2021, we reported topline data from the study. The results indicated that vilobelimab, when given in addition to best standard of care, was well-tolerated.

In May 2019, we initiated a randomized, double-blind, placebo-controlled Phase II clinical study with vilobelimab in patients with AAV. The main objective of this second study was to evaluate the efficacy and safety of vilobelimab in patients with moderate to severe AAV. The primary endpoint of the study is a 50% reduction in Birmingham Vasculitis Activity Score (BVAS) at week 16. The study was conducted in two parts. In Part 1, patients were randomized to receive either vilobelimab plus a reduced dose of glucocorticoids, or placebo plus a standard dose of glucocorticoids. Patients received standard of care dosing in both arms of rituximab or cyclophosphamide. In Part 2 of the study, patients were randomized to receive either vilobelimab plus placebo, glucocorticoids or placebo plus a standard dose of glucocorticoids (both in addition to standard of care therapy consisting of rituximab or cyclophosphamide). In November 2021, we announced that the study achieved its principal objective, demonstrating comparable clinical response of vilobelimab to standard of care, while significantly reducing the need for glucocorticoid (GC) treatment in this life-threatening indication.

We plan to discuss the data from both the U.S. and EU studies with regulatory authorities before determining next steps with the program.

Pyoderma Gangraenosum

We are also developing vilobelimab for the treatment of *pyoderma gangraenosum* (PG), a rare neutrophilic dermatosis associated with chronic cutaneous ulcerations. PG usually has a devastating effect on patient's life due to severe pain and induction of significant movement impairment depending on lesions' location. In February 2019, we initiated an open label, multi-centric Phase IIa exploratory study enrolling 18 patients with moderate to severe PG in Canada, the U.S. and Poland. The objectives of this study are to evaluate the safety and efficacy of vilobelimab in this patient population in three different doses.

On April 15, 2021 the study reached its enrollment target with 19 patients. On October 27, 2021, we announced preliminary results from the study. In the third dosing cohort at 2400mg biweekly, six of the seven patients achieved clinical remission with a PGA score of ≤ 1, which reflects a closure of the target ulcer. All patients in cohort 3 had elevated C5a levels at baseline that were continuously suppressed after initiation of vilobelimab. From all cohorts, two patients had related serious adverse events, or SAEs, that were reported: One patient experienced an erysipelas leading to hospitalization (judged as non-drug related by sponsor), another developed a rash due to a delayed hypersensitivity reaction and withdrew from study. No dose-related AEs were found. Overall, the observed adverse effect (AE) profile was in line with the underlying disease. With these results, we plan to seek FDA guidance on next steps toward a pivotal program. Final results from all patients are expected in the first half of 2022.

Cutaneous Squamous Cell Carcinoma (cSCC)

We are also developing vilobelimab for the treatment of PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic *cutaneous squamous cell carcinoma* (cSCC). cSCC is the second most

common skin cancer. The incidence of cSCC increases with increasing sun exposure and age and individuals with fair skin and hair are more often concerned. Approximately 200,000 to 400,000 cases of cSCC per year are being reported in the United States reaching up to estimates as high as 1 million per year. Estimates in Europe vary by geographic location from approximately 30/100,000 per year in Northern Europe to approximately 10/100,000 in Southern Europe. The incidence of cSCC is increasing dramatically around the world. The potential for local recurrence or metastasis of cSCC varies with the pathologic variant and localization of the primary lesion, the risk for metastasis in cSCC is approximately 2-5%. Advanced cSCC 10-year survival rates are less than 20% with regional lymph node involvement and less than 10% with distant metastases. In June 2021, we announced the dosing of the first patient in the study. A total of five patients have been enrolled in the study, four in the monotherapy arm and one in the combination arm. After five weeks of treatment with the first three patients in the monotherapy arm, a safety assessment was completed, and enrollment in the combination arm was opened.

INF904

We are developing an oral, small molecule drug candidate that targets the C5aR receptor. C5aR, a G-protein-coupled-receptor expressed primarily by granulocytes, mediates the pathophysiological effects of C5a. We plan on targeting complement-mediated, chronic auto-immune and inflammatory conditions where an oral small molecule is needed for patients. All IND-enabling studies have been completed and we plan to initiate the Phase I program in the second half of 2022.

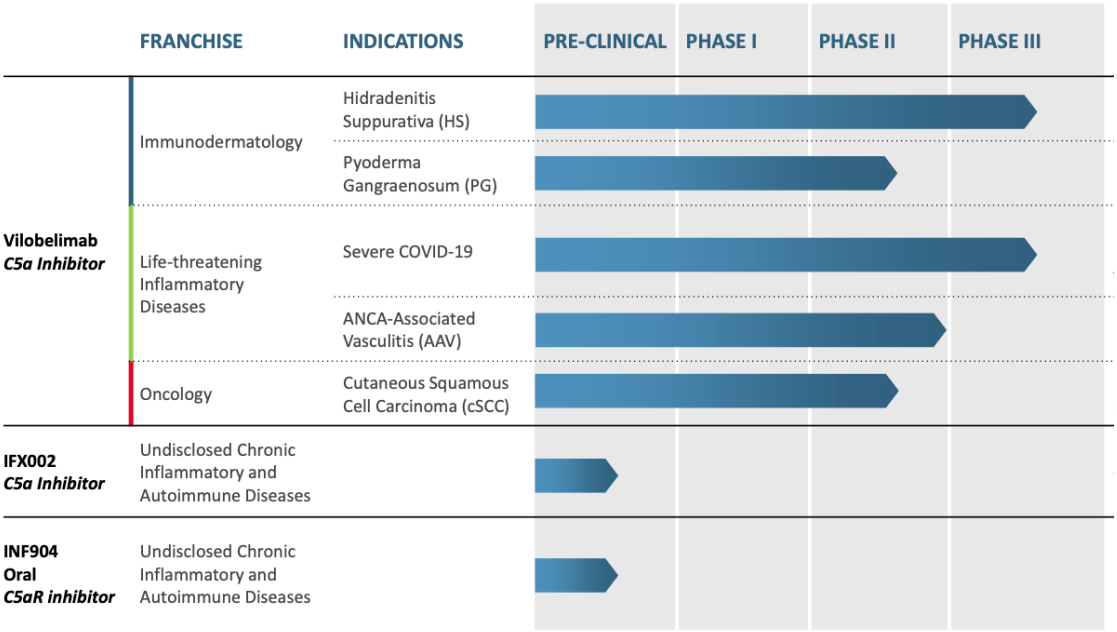
IFX002

To expand the breadth of our anti-C5a technology, we are developing IFX002 for the treatment of chronic inflammatory indications. IFX002 shares the same mechanism of action as vilobelimab, blocking C5a with high specificity, but is designed with a dosing regimen that may be more suitable for chronic therapy. IFX002 is in pre-clinical development.

Pipeline

We intend to leverage our expertise within the complement field as well as our proprietary technology to sustain our lead in the anti-C5a space by developing a diverse pipeline focused on complement-mediated autoimmune and inflammatory diseases with high unmet need. Rights to our proprietary anti-C5a technology are currently expected to extend up to 2038 if our latest filed patent applications are granted.

The figure below summarizes key information about our current pipeline of product candidates:



Our programs

Vilobelimab for the treatment of Hidradenitis Suppurativa

HS is a chronic debilitating systemic skin disease which results in painful inflammation of the hair follicles, most notably in the armpit, groin and genitalia regions. The clinical hallmarks of this disease include very painful inflammatory nodules, boils or abscesses that typically open and release odorous inflammatory fluids. In the more chronic form of the disease, patients experience draining fistulas, also referred to as sinus tracts, which ultimately lead to scarring and related functional disability in certain areas. HS patients suffer primarily from pain and significant discomfort resulting from the constant formation of pus, often requiring the use of bandages and diapers, resulting in social isolation. Not surprisingly, HS severely adversely affects patients' quality of life. The Hurley system is a classification system used to characterize the disease from early and easier to-treat forms of HS in Hurley stage 1 to the chronic and difficult to treat forms in Hurley stages 2 and 3.

HS typically presents in the second and third decade of a patient's life and often develops into a life-long debilitating chronic disease. The target patient population for vilobelimab is HS patients displaying a moderate to severe form of the disease. In the United States we estimate that moderate to severe HS has a prevalence of up to 200,000 patients, although recent publications suggest a higher prevalence.

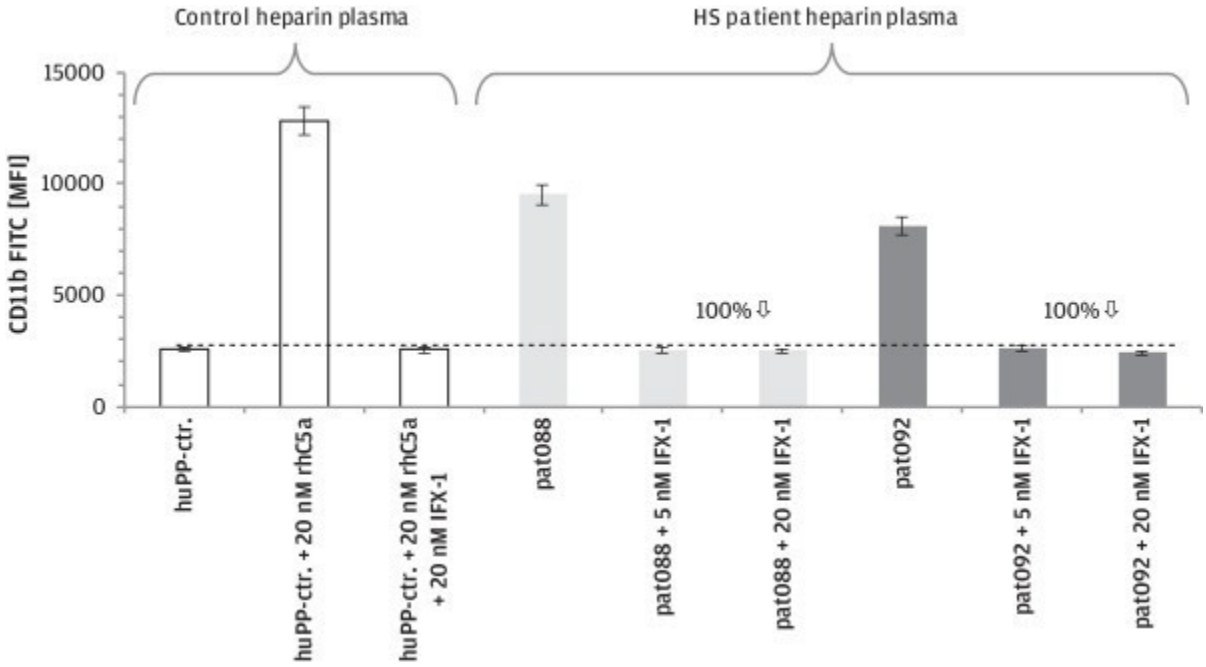
In Europe, the number of affected patients is also believed to be greater, with higher prevalence and incidence of HS in countries with warmer climates. The diagnosis and treatment are in most countries handled by dermatologists even though patients often first present with early symptoms to primary care physicians or even to emergency departments in order to seek surgical relief of formed abscesses.

The accepted (but not approved) standard of care for HS patients includes topical, oral or intravenous antibiotic treatment, as well as surgery, which often provide only temporary symptomatic relief. In some cases, patients also undergo different types of surgery. HS is recognized as a systemic autoimmune disease, for which there are numerous suggested etiological factors, including genetics. Neutrophils are believed to play a potential disease-promoting role as well as certain cytokines and mediators commonly found in autoimmune diseases such as TNF-alpha, IL-17, IL-1 and others. This rationale is supported by the 2015 approval in the United States and Europe of adalimumab, an anti-TNF-alpha monoclonal antibody, for the treatment of patients with moderate to severe HS (Hurley stage 2 and 3). The Hurley system is a classification system used to characterize the disease from early and easier-to-

treat forms of HS in Hurley stage 1 to the chronic and difficult to treat forms in Hurley stages 2 and 3. The system has been used as the basis for clinical trials. Combined results from the two pivotal adalimumab trials, which enrolled a total of 633 patients, showed that approximately 50% of the 316 patients who were treated with adalimumab achieved a response in the HiSCR, while approximately 27% of the 317 patients who received placebo achieved a HiSCR response, in each case at the end of a 12-week treatment period. Patients are HiSCR responders when they achieve a 50% or higher reduction of the combined abscess and nodule, or AN, count from baseline, but no increase of the abscess or draining fistula count from baseline. The HiSCR is the primary endpoint that was used to support regulatory approval by the FDA and EMA of adalimumab for the treatment of HS patients. Despite having demonstrated clinical benefit, approximately 50% or more of the patients with moderate to severe HS did not respond to adalimumab, thus a high unmet need remains among HS patients.

C5a promotes inflammatory mediators and is a strong activator of neutrophils, which was the basis for our investigation of our C5a blocking drug candidate vilobelimab in patients with HS. We established that patients suffering from HS show proof of significant systemic complement activation with elevated plasma concentrations of C5a and other markers.

We further elaborated that C5a is activated in the plasma of HS patients and appears to be the main factor activating neutrophils in human whole blood from healthy humans. Neutrophil activation was assessed by observing the upregulation of the neutrophil surface marker CD11b (an established method to demonstrate neutrophil activation). These data were derived from studies conducted in 2013 and 2014 as part of an investigative project in collaboration with an investigator from the University of Athens, who provided HS patient plasma samples for the studies. In these studies, we found that CD11b, as a marker for neutrophil activation, was greatly enhanced in fresh human whole blood from healthy volunteers when either recombinant human C5a was added or when plasma from HS patients was added. Vilobelimab, our highly specific anti-C5a antibody, completely inhibited neutrophil activation resulting from the addition of the HS plasma, suggesting that C5a may be the key mediator in plasma from HS patients leading to neutrophil activation.



Flow cytometry assay in fresh human whole blood demonstrating CD11b increase on blood neutrophils as marker of neutrophil activation: recombinant human C5a strongly activates human neutrophils in whole blood (huPP-ctr + 20 nM rhC5a) which can be fully blocked by addition of vilobelimab (previously denominated as "IFX-1") (huPP-ctr + 20 nM rhC5a + 20 nM vilobelimab) (open white bars). Plasma from two different HS patients (pat088 and pat092) also activates human neutrophils in whole blood and this effect can be fully blocked by the addition of vilobelimab (middle and darker grey bars) thus implying that C5a in HS patient plasma is the key neutrophil activating factor.

Vilobelimab was evaluated in a Phase IIa, single center open-label study in 12 patients who were diagnosed with Hurley stage 3 and had failed to respond to prior treatment attempts, including adalimumab, to which nine out of the 12 patients failed to respond. Patients received weekly intravenous injections of vilobelimab for eight consecutive weeks and were subject to follow up for three months thereafter. Results from the trial demonstrated a HiSCR response in 75% of patients at the end of eight weeks of treatment and in 83% of patients at the end of the 12-week trial observation period, demonstrating initial clinical evidence of the product candidate's disease-modifying effect. The results from the trial revealed that weekly injections of vilobelimab resulted in reduced C5a levels at 22 days and 50 days following the start of treatment while leaving MAC formation intact. The results also demonstrated that vilobelimab administration was well tolerated, with no drug-related adverse events detected and no infusion-related, allergic or anaphylactic reactions were observed.

In addition to the HiSCR response, we observed additional trends for the disease-modifying effect of vilobelimab treatment in HS patients. We investigated the absolute and percentage change from day one in the total combined count of abscesses and nodules, or AN count. The median AN count was 6.0 at baseline and decreased during the treatment period: at day 50 the AN count had decreased by a median of 3.5 (69.70%), and at the end of the trial observation period (day 134) the AN count had decreased by 4.5 (76.39%). At baseline, none of the 12 patients had an AN count of zero, one or two. At day 50, the end of the treatment period, the number of patients displaying an AN count of zero, one or two increased to eight patients and, by day 134 (end of the trial observation period) to 10 patients.[2]

Based on the initial Phase IIa results, we completed a larger multi-center, international Phase IIb study to determine the efficacy and safety of vilobelimab in moderate to severe HS patients. The trial was a randomized, double-blind and placebo-controlled multicenter study with five dose groups, including one placebo group. After a placebo-controlled double-blind period of 16 weeks, each patient

[2] In order to assess the potential long-lasting effect of vilobelimab treatment at the end of the three months observations period of the initial Phase IIa study, an observational study was conducted on 10 of the 12 clinical subjects. The data revealed that the time after concluding vilobelimab treatment to the first flare, defined as need for antibiotic treatment upon worsening of HS symptoms, was 209 days (range 54 to 318 days) and that, while being off medication, 50% of patients had no flares until day 203.

received vilobelimab open label for additional 28 weeks to assess long-term efficacy and safety. The main objective of the study was to evaluate a dose response signal assessed by the HiSCR score at week 16 as the primary endpoint. Secondary objectives included evaluation of safety and tolerability of vilobelimab.

On June 5, 2019, we announced the top-line results of the international SHINE Phase IIb study, in which we failed to meet our primary endpoint utilizing HiSCR at week 16. The randomized, double-blind, placebo-controlled, multicenter study enrolled a total of 179 patients in four active dose arms and a placebo arm at over 40 sites in 9 countries in North America and Europe. The primary statistical analysis by multiple-comparison procedure modelling (MCP-mod) showed no significant dose response for the vilobelimab treatment.

The individual HiSCR rates at week 16 for the four different dose arms and the placebo arm are outlined below:

vilobelimab				**Placebo**
Minimal dose	**Low dose**	**Medium dose**	**High dose**	placebo Q2W
400mg every 4 weeks (Q4W)	**800mg every 4 weeks (Q4W)**	**800mg every 2 weeks (Q2W)**	**1200mg every 2 weeks (Q2W)**	
40.0%	51.5%	38.7%	45.5%	47.1%

A statistically significant reduction of the dermatology life quality index (DLQI) could be detected comparing the overall treatment arms with the placebo arm at week 16 (p=0.031). The median DLQI reduction at week 16 compared to pre- dose values was highest in the medium dose group (-5.5 points) when compared to the reduction in the placebo group (-1.5 points). There was a trend in the reduction of the overall AN count comparing the placebo group (median reduction of -3.0) and the low, medium and high dose group (-5.0, -5.0, and -4.5, respectively).

Vilobelimab was well tolerated. No difference could be detected in treatment emergent adverse events between placebo and treatment groups. Overall, 72% of placebo treated patients experienced a treatment emergent adverse event when compared to 66% of the combined vilobelimab treated groups. The most common treatment emergent adverse events were exacerbation of HS and nasopharyngitis.

On July 18, 2019 we published a post-hoc analysis. This analysis showed multiple additional signals of efficacy for the vilobelimab high dose group compared to the placebo group within the initial phase of the SHINE study, which demonstrated significant reductions in all combined inflammatory lesions, on draining fistula and on the IHS4 [2] which also scores all inflammatory lesions and has been developed by an international expert group to score severity and track treatment response, although it has not be utilized in late stage clinical studies in HS. The IHS4 weights the most fluctuating lesions such as inflammatory nodules (1 point), less than abscesses (2 points) or draining fistulas (4 points).

At week 16, there was a statistically significant reduction of draining fistulas, or DF, relative to baseline in the high dose vilobelimab group when compared to placebo (Figure 1 – relating to all patients with at least 1DF at baseline).

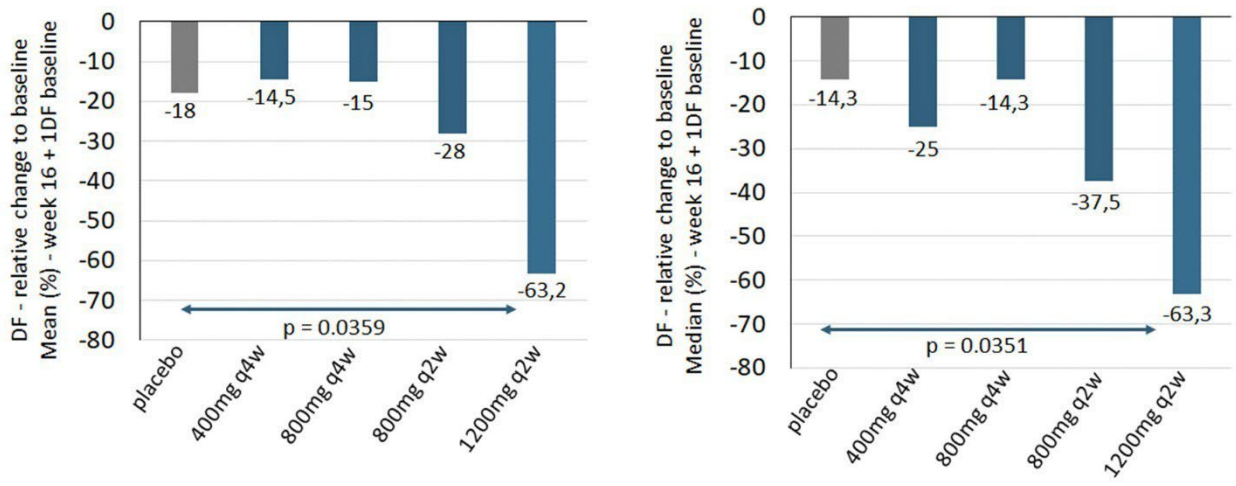


Figure 1: Draining Fistula (DF) reduction relative to baseline at week 16 (left: Mean, right: Median) in all patients with at least 1 draining fistula at baseline. For mean comparisons and the p-value of high dose versus placebo, an ANCOVA model adjusted for DF and Hurley stage at baseline was calculated. The p-value for the median comparison of high dose versus placebo was based on the Wilcoxon rank-sum test. Complete case analysis, no imputation of missing values.

This reduction in DF was visible as early as 2 weeks after induction of high dose vilobelimab therapy and consistent over time with the strongest observed reductions seen at weeks 6, 8 and 16 (Figure 2). A temporary weakening of the strong reduction was observed between weeks 10 to 14 which could not be explained by pharmacokinetic or pharmacodynamic parameters. The strong relative reduction of draining fistulas observed in the SHINE trial was consistent with earlier findings in the open label Phase IIa study (manuscript under revision for publication).

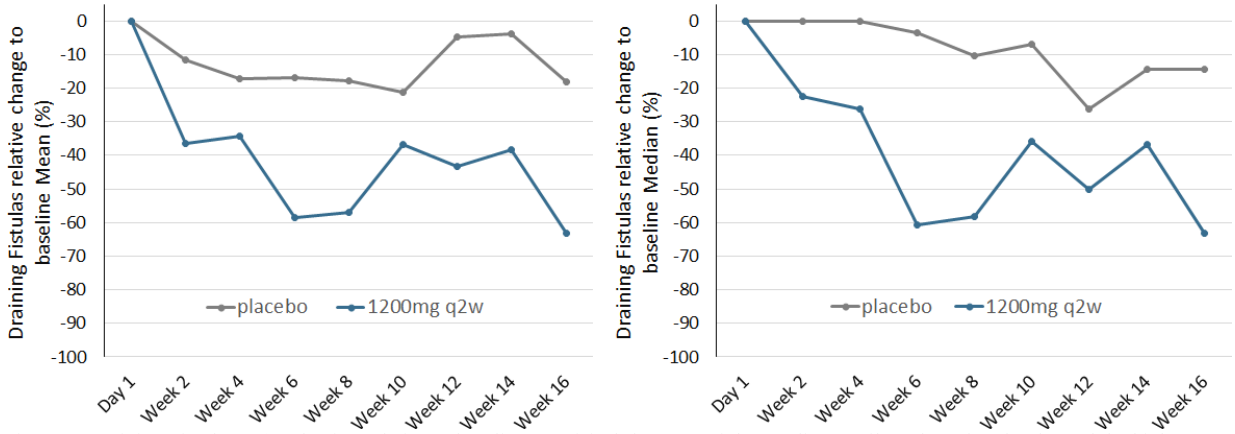


Figure 2: Draining Fistula (DF) reduction relative to baseline per visit (left: Mean, right: Median) until week 16 for placebo and the high dose group (vilobelimab 1200mg q2w) in all patients with at least one DF at baseline. For mean comparisons of high dose versus placebo, an ANCOVA model adjusted for DF and Hurley stage at baseline was calculated. Complete case analysis, no imputation of missing values.

Vilobelimab therapy also reduced the AN count at week 16 relative to baseline with a trend to a dose dependent effect. Further analysis showed that high dose vilobelimab therapy reduced abscesses and inflammatory nodule counts over time (Figure 3):

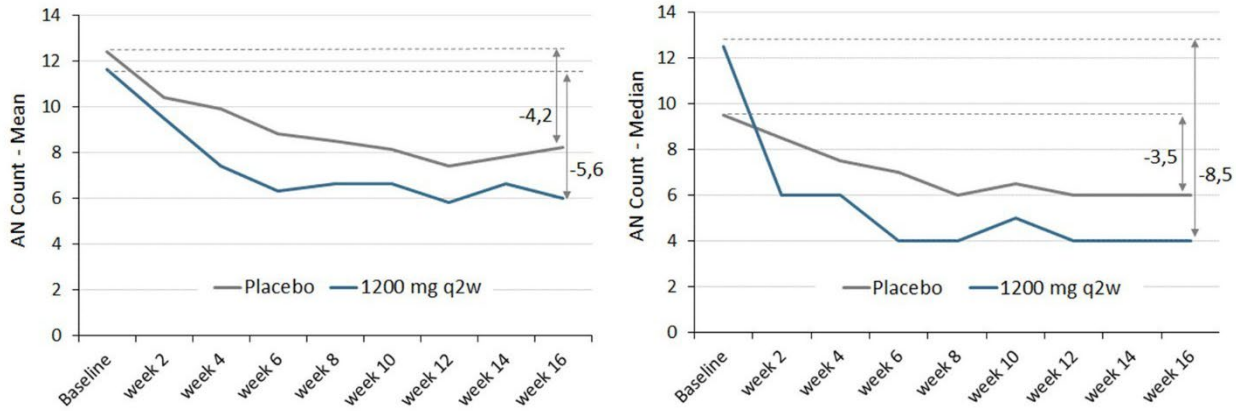


Figure 3: AN count per patient visit (left: Mean, right: Median) until week 16 for placebo and high dose group (vilobelimab 1200mg q2w). Complete case analysis, no imputation of missing values.

On November 6, 2019, we reported positive results of the open label extension (OLE) part of the international SHINE Phase IIb study. The data were from a analysis at the end of the overall 9-month study treatment period (week 40). A total of 156 patients entered the 6-month OLE period upon completion of week 16 of the first part of the SHINE study. Patients participating in the OLE part of the study remained blinded to their initial treatment regimen and were grouped into two arms, responders and non-responders, according to the HiSCR at week 16. The Responder Group received a maintenance vilobelimab treatment dose of 800 mg every 4 weeks to investigate if they would maintain their response. The Non-responder Group received a vilobelimab treatment of 800 mg every 2 weeks to investigate if they would become responders. As induction therapy, patients transitioning from the former minimal dose or placebo groups received one or two additional 800 mg infusions, respectively. The endpoint for the OLE part of the study was HiSCR response rate at week 40. Key results include:

- 70.6% of the Responder Group maintained their HiSCR response during the OLE, and
- 41.8% of the Non-responder Group became responders at week 40.

Thus, at the end of the 9-month treatment period, 56.3% of all patients who completed the OLE were HiSCR responders.

Overall, patients completing the OLE period showed a sustained improvement in inflammatory lesion count at week 40 compared to baseline counts of the OLE treatment group on day 1 of the SHINE study. There was a relative reduction in the total body count of:

- abscesses and inflammatory nodules (AN count) of -66.9% (mean) and -75.0% (median), and
- draining fistula of -46.0% (mean) and -51.5% (median)

These results were also reflected in IHS4, which demonstrated an improvement with a relative change of - 54.5% (mean) and -64.1% (median) when compared to the day 1 baseline values of the OLE patient group.

In June 2020, we completed an end-of-Phase II meeting with the FDA and discussed the possible design of a pivotal Phase III program for vilobelimab for the treatment of HS. The FDA agreed to key proposals to support a Biologics License Application (BLA) submission, including certain aspects of the Phase III clinical trial design, vilobelimab dosing, target study population, and the nonclinical and clinical pharmacology packages. While the FDA did not agree that the IHS4 is should be used as a primary efficacy endpoint to support labeling, the FDA recommended that we obtain HS patient input to help determine the validity of the IHS4 score. We have been assessing different strategies to progress the clinical development of vilobelimab for HS in the United States. Additionally, we requested scientific advice from the EMA about a potential pathway for regulatory approval in Europe and received

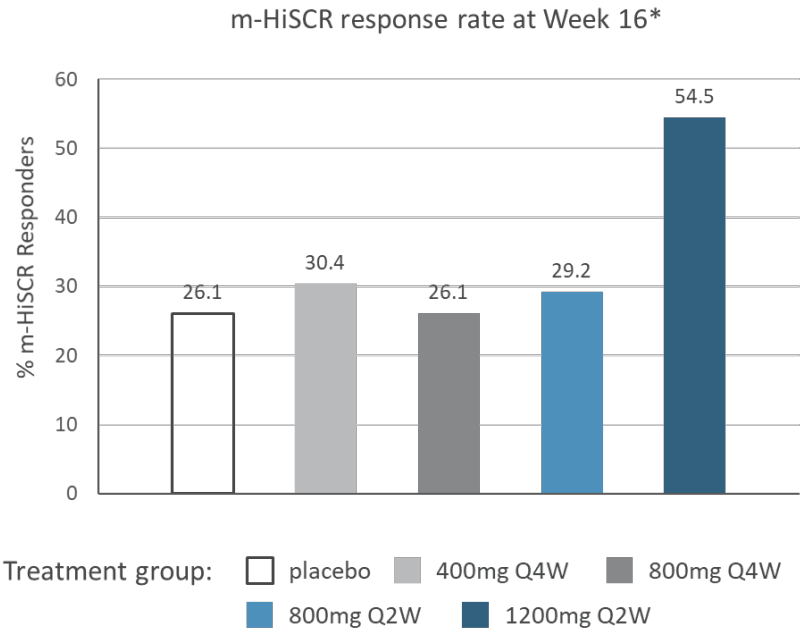
feedback in July 2020. The EMA acknowledged that HiSCR response does not account for the clinical relevance of a reduction in draining fistulas and the effort to construct a new endpoint that better captures these changes was endorsed in principle. According to the EMA, although HiSCR was used as an endpoint in previous studies, IHS4 could be an appropriate clinical endpoint to evaluate the efficacy of a novel compound in HS.

In March 2021, we submitted a Special Protocol Assessment (SPA) to the FDA for the Phase III HS program for vilobelimab in Hidradenitis Suppurativa (HS), suggesting International Hidradenitis Suppurativa Severity Score (IHS4) as the primary efficacy endpoint and, in May 2021, the Company received an official response. The FDA agreed to the dosing regimen in the protocol but did not agree with the assessment of the primary endpoint using IHS4.

At the FDA's suggestion, we submitted a Type A meeting request to the FDA in July 2021 to align on the Phase III study design and a proposed new primary endpoint instead of IHS4. At the meeting, the discussion focused on reaching consensus on the overall study population and the primary endpoint measure. On September 8, 2021, we announced the outcome of this meeting in which the FDA was supportive of the proposed pivotal study program focusing on patients with active draining tunnels. The FDA also supported a new primary efficacy endpoint that will include measuring the reduction of all three inflammatory lesions associated with HS - inflammatory nodules, abscesses and draining tunnels, called m-HISCR (modified Hidradenitis Suppurativa Clinical Response). A m-HISCR responder is defined as, relative to baseline, at least a 50% reduction of ANdT count and at least a 50% reduction of dT count. In the minutes of that meeting, FDA provided advice on how to implement, name and validate the meaningfulness of the m-HiSCR for the intended patient population, especially since a reduction in draining tunnels is not captured by the HiSCR. Following the advice received in the Type A meeting, in the fourth quarter of 2021, we submitted a full clinical trial protocol for the planned clinical Phase III trial of vilobelimab in HS patients with actively draining disease to the FDA. Upon submission of study protocol for review, we received no comments from FDA within the 30-day and 60-day review periods.

Subsequently, in January 2022, we announced the initiation of the Phase III clinical trial in HS patients with actively draining tunnels with the m-HiSCR as primary endpoint.

On February 3, 2022, we held a virtual R&D event in which we disclosed a post-hoc analysis of the m-HISCR on the Phase IIB SHINE data. Details can be seen down below.



*subgroup of moderate to severe Hurley stage II-III patients with at least 1 dT at baseline; data from post-hoc analysis

The data is consistent with the fact that in the Phase IIB SHINE study, significant reduction of dT count is only achieved with the high dose, the m-HiSCR response demands at least 50% reduction of dT count, and significant improvement on m-HiSCR is only observed for the high dose group, which is the only group with significant reduction of dT count.

In February of 2022, we received an advice letter from the FDA related to our Phase III program with vilobelimab for the treatment of HS. The feedback indicated that the FDA recommends using the HiSCR as the primary endpoint in the Phase III trial. The FDA advice was provided nearly three months after our protocol submission and contrasted with the FDA advice provided to us in the Type A meeting held previously. Given the unexpected details of the feedback from the FDA, we paused activities related to the Phase III clinical trial. However, the FDA did not issue a clinical hold.

In March 2022, we received a corrected advice letter from the FDA. In this letter, the FDA stated that it corrects its advice letter from February of 2022 and no longer recommends that we use the HiSCR as the primary endpoint for the chosen patient population but gives recommendations related to implementation of the modified HiSCR.

We are currently evaluating next steps regarding the development of vilobelimab in HS.

Vilobelimab for the treatment of severe COVID-19

We are also developing vilobelimab for the treatment of severe COVID-19. On March 31, 2020, we initiated a Phase II/III clinical development program with vilobelimab in patients with severe COVID-19 and enrolled the first patient at the Amsterdam University Medical Centers in the Netherlands. The Phase II part of the study evaluated vilobelimab treatment plus best supportive care compared to best supportive care alone for up to 28 days. Relative change (%) from baseline to day 5 in oxygenation index (defined as PaO2/FiO2 ratio) was assessed as the primary endpoint along with additional clinical parameters until day 28. In the study, patients were randomized to two treatment arms, either Arm A, best supportive care and vilobelimab or Arm B, best supportive care alone. The primary endpoint was the relative percentage change from baseline to day 5 in the Oxygenation Index (PaO2 / FiO2).

On June 17, 2020, we announced results from the Phase II part of the study. A total of 30 patients were randomized in the trial, and 15 patients were treated in each arm: vilobelimab plus best supportive care or best supportive care alone. Over a treatment period of 28 days, patients in the vilobelimab arm received a maximum of seven doses of 800 mg vilobelimab intravenously on separate days. At randomization, 18 patients were intubated (60%), and 12 patients (40%) had other oxygen supply. A higher number of patients with 2 or more comorbidities associated with increased COVID-19 mortality were reported in the vilobelimab treatment group compared to best supportive care group. Relative change in the oxygenation index at day 5 showed no differences between treatment groups. However, vilobelimab treatment was associated with a lower 28-day all-cause mortality when compared to the best supportive care group, along with trends in disease improvement, as evidenced by fewer patients experiencing renal impairment assessed by estimated glomerular filtration rates, more patients showing reversal of blood lymphocytopenia and a greater lowering of lactate dehydrogenase concentrations. In vilobelimab-treated patients, pulmonary embolisms reported as serious adverse events occurred less compared to the best supportive care arm. Also, a temporary increase of D-dimer levels, as potential expression of induction of blood clot lysis, was detected in the first days after initiation of vilobelimab treatment. Twenty-eight-day all-cause mortality in the vilobelimab treatment group was 13% (2 out of 15) versus 27% (4 out of 15) in the control group. In the best supportive care group, four patients died of COVID-19-induced multi-organ failure, and three of them had pulmonary embolisms reported as a serious adverse event. In the vilobelimab arm, one patient died after an acute ventilator tube complication (leakage) and one patient with a history of severe chronic obstructive pulmonary disease died of pulmonary failure.

Serious adverse event (SAE) rates were comparable between groups, but the rate of pulmonary embolisms reported as SAEs was substantially lower in the vilobelimab treatment group. Upon review

of the safety data, the independent data safety monitoring board recommended continuation of the trial into the Phase III part.

The Phase II part of the trial was exploratory in nature and was not powered to show statistically significant differences in clinical endpoints. Relative change (%) from baseline to day 5 in the oxygenation index, chosen as the primary endpoint for the Phase II part, showed a large variability and dependency on patient positioning and intubation status which excludes this endpoint from being used in a confirmatory study.

On September 14, 2020, we announced the first patient enrolled in the Phase III part of the study. An interim analysis by an independent data monitoring committee (IDMC), which took place in July 2021 and analyzed the data of the first 180 patients evaluable for the 28-day mortality endpoint, led to a recommendation to continue the study as planned. Per recommendations from the EMA and FDA, the option to potentially stop the study early based on efficacy was removed from the interim analysis. On October 12, 2021, we announced full enrollment of the study at 369 mechanically ventilated patients with COVID-19 across sites in the EU, South America and other regions. Patients were randomized 1:1 to receive either vilobelimab or placebo; all patients received standard of care. The primary endpoint is 28-day all-cause mortality; key secondary endpoints include assessment of organ support and disease improvement. Topline data for the 28-day mortality primary endpoint are expected to be available within the first quarter of 2022. If the trial successfully reaches the primary endpoint goal, we will seek commercialization options, such as partnerships in select regions and potentially building commercial infrastructure in other regions. The commercialization strategy will depend on the quality of the clinical trial data, the commercial opportunity, launch timelines and the ability to access capital for commercialization expenses.

On October 19, 2021, we announced that we received a grant of up to EUR 43.7 million from the German Ministry of Education and Research and the German Ministry of Health to support the Company's development of vilobelimab for the treatment for severe COVID-19 patients. The initial tranche amounts to EUR 25.8 million (approximately USD 29.9 million) and is structured as reimbursement of 80% of certain pre-specified expenses related to the clinical development and manufacturing of vilobelimab. The remainder of the grant will be awarded in three additional subsequent tranches, each conditional on reaching agreed-upon development and manufacturing-related milestones for the preceding tranche and structured as reimbursement for Company expenses. Individual tranches will not be paid if the preceding milestone of a tranche is not met.

Vilobelimab for the treatment of ANCA-associated Vasculitis

AAV is a rare, life-threatening autoimmune disease with a relapsing nature, characterized by necrotizing vasculitis, an inflammation of blood vessels. The disease is characterized by life-threatening flare phases affecting the kidney function and other organs leading to organ dysfunction and failure, a potentially fatal outcome unless treated appropriately. AAV predominantly affects small vessels associated with anti-neutrophil cytoplasmic antibodies, or ANCA. It comprises three disease entities: GPA, or granulomatosis with polyangiitis (known as Wegener's Granulomatosis); MPA, or microscopic polyangiitis; and eGPA, or eosinophilic granulomatosis with polyangiitis (known as Churg-Strauss syndrome).

AAV is designated as an orphan disease and affects approximately 40,000 and 75,000 patients in the United States and Europe, respectively. In addition, AAV has a reported incidence of 4,000 and 7,500 new patients per year in the United States and Europe, respectively.

Because of the life-threatening character of this disease, it is crucial to induce remission rapidly when a flare presents. The treatment to induce remission differs from maintenance therapy. The current treatment regimen to induce remission uses a combination of High Dose Corticosteroids, or HDCS, together with either rituximab or cyclophosphamide. The long lasting HDCS therapy is associated with significant side effects and additional life-threatening risks for the patients.

The disease promoting role of C5a for AAV is well established. A priming effect of C5a for neutrophils appears to be the essential factor leading to neutrophil-related damage of the endothelial cells in the vessels. In addition, patients with acute AAV disease have significantly elevated complement activation parameters in their plasma when compared to AAV patients in remission. In an experimental AAV disease model in mice, it was shown that while C5aR deficiency leads to reduction in disease activity, C6 deficiency does not lead to such improvement, suggesting that MAC formation might not play a major role in this disease. However, additional research is warranted to confirm this conclusion.

Our clinical development strategy for vilobelimab in AAV first focused on acutely ill AAV patients, where we believe vilobelimab has the potential to successfully induce remission and reduce or eliminate the need for HDCS therapy, leading to reduction or elimination of HDCS therapy and providing an improved safety profile. Thereby we also intend to focus on speed of induction of remission and reducing rate of renal replacement and kidney dysfunction. An additional focus could address the maintenance of remission in patients.

We conducted a pre-IND meeting for vilobelimab therapy in AAV patients in February 2018 and, based on this, we initiated a U.S. clinical Phase II study with vilobelimab in AAV patients primarily investigating safety and tolerability of vilobelimab in AAV patients as well as exploring efficacy of vilobelimab when added to standard of care therapy. In addition, we have initiated a second Phase II study with vilobelimab in AAV patients outside the U.S. focusing on safety as well as on investigating the potential to reduce and avoid high dose glucocorticoid treatment during the induction phase of acute AAV. Part of the development strategy will also be submission of an orphan drug application to the FDA and EMA once first data are available.

In October 2018, we dosed the first patient in the randomized, triple blind, placebo-controlled U.S. Phase II IXPLORE study with vilobelimab in patients with AAV. The main objective of the study is to evaluate the efficacy and safety of two dosing regimens of vilobelimab in patients with moderate to severe AAV, when dosed in addition to standard of care, which included treatment with high dose glucocorticoids and either cyclophosphamide or rituximab. Patients were randomized to either receive a low dose of vilobelimab in combination with a standard dose of glucocorticoids, a high dose of vilobelimab in combination with a standard dose of glucocorticoids or placebo in combination with a standard dose of glucocorticoids. Patients in all three groups received the standard of care dosing therapy consisting of rituximab or cyclophosphamide. The primary endpoint of the study is the number and percentage of subjects who experience at least one treatment-emergent adverse event (TEAE) per treatment group at week 24. The key secondary endpoint of the study is a 50% reduction in Birmingham Vasculitis Activity Score (BVAS) at week 16, a well-established endpoint that has been used in the previous AAV studies, along with clinical remission. It was originally planned that we would enroll approximately 36 patients at centers in the US. After a blinded interim analysis was conducted as well as an assessment of the potential impact of the ongoing COVID-19 pandemic, a decision was made to finalize enrollment at 19 patients. In October 2020, we announced that the 19 patients had finished treatment. In May 2021, we announced the topline results. U.S. IXPLORE Phase II trial achieved its objective; vilobelimab was shown to be safe and well tolerated in patients with ANCA-associated vasculitis when added to current standard of care. Overall, no safety signal of concern could be detected in the study, as observed TEAEs are reflective of the disease and SOC treatment. The IXPLORE study was not powered to show statistical significance on efficacy endpoints; however, clinical response and remission for each treatment group was measured at week 16 as secondary efficacy endpoints using the BVAS. The proportion of patients achieving a clinical response was defined as a 50% reduction in BVAS at week 16 (and no worsening in any body system) compared to baseline, and clinical remission was defined as BVAS=0. Although the sample size of the trial was small and it is difficult to interpret results not powered to show statistical significance, patients across all three treatment groups demonstrated a strong response at week 16, and more patients treated with SOC plus vilobelimab had clinical remissions at various timepoints throughout the study compared to SOC plus placebo.

In May 2019, we initiated a randomized, double-blind, placebo-controlled European Phase II IXCHANGE study with vilobelimab in patients with AAV. The main objective of this study is to evaluate the efficacy and safety of vilobelimab in patients with moderate to severe AAV. The primary endpoint of the study is a 50% reduction in Birmingham Vasculitis Activity Score (BVAS) at week 16. Secondary efficacy endpoints being analyzed include clinical remission, evaluation of the Vasculitis Damage Index, reduction of glucocorticoid toxicity, several relevant biomarkers like glomerular filtration rate, and patient reported outcomes. We originally planned that we would enrol approximately 80 patients at about 60 sites in up to 12 European countries and Russia, with all participating study sites being closed in all countries by end of 2021. The study is being conducted in two parts. In part 1, patients are being randomized to receive either vilobelimab plus a reduced dose of glucocorticoids, or placebo plus a standard dose of glucocorticoids. Patients in both arms will receive the standard of care dosing of immunosuppressive therapy (rituximab or cyclophosphamide). In part 2 of the study, patients are randomized to receive either vilobelimab plus placebo glucocorticoids or placebo plus a standard dose of glucocorticoids (both in addition to standard of care immunosuppressive therapy with rituximab or cyclophosphamide). After analyzing the impact of the ongoing COVID-19 pandemic on the study, we conducted a blinded internal interim analysis, in addition to obtaining review by an independent data monitoring committee related to safety and efficacy. Based on the results of the blinded interim analysis of part 1 of the IXCHANGE study, we decided to continue with part 2 of the study but decrease the number of enrolled patients. In November 2021, we announced topline data from both parts of the study. The study achieved its principal objective, demonstrating comparable clinical response of vilobelimab to standard of care, while significantly reducing the need for glucocorticoid (GC) treatment in this life-threatening indication. Clinical response as well as clinical remission were achieved in comparably high rates in all three arms: Clinical response at week 16 in evaluable patients was observed in 16 out of 18 (88.9%) patients in the treatment group receiving vilobelimab alone; in 22 out of 23 (95.7%) patients receiving SDGC; and in 10 out of 13 (76.9%) patients in the vilobelimab + RDGC group. The GTI composite score at week 16 was substantially lowered in the vilobelimab alone group (mean value of 0.8) when compared to the SDGC group (mean value of 44.9) and the vilobelimab + RDGC group (mean value of 26.1). Assessment of the VDI at week 16 suggested comparable values between groups with the vilobelimab only group showing the lowest value: vilobelimab only group (1.0), SDGC group (1.5) and vilobelimab + RDGC group (1.9). eGFR, a secondary endpoint of the study, demonstrated no observed medically meaningful changes in all three arms. The vilobelimab only group had the lowest number of reported treatment emergent adverse events (TEAEs) as well as related TEAEs.

We plan to discuss the data from both the U.S. and EU studies with regulatory authorities to determine next steps with the program.

We believe that the potential advantages of treatment with vilobelimab in AAV are the following:

- **Rapid onset of action:** vilobelimab has fast onset of action such that after its intravenous administration, vilobelimab inhibits C5a-induced signaling completely, providing immediate protection from C5a induced priming and activation of neutrophils in this disease. This may result in a faster response rate and a potentially quicker induction of remission when compared to the currently available treatment options.

- **Potential potency advantages (over receptor inhibition):** vilobelimab blocks the upstream ligand C5a, which inhibits signaling through both receptors, C5aR and C5L2; C5a pro-inflammatory MoA through both C5aR and C5L2 has been shown to be important for ANCA-primed

and C5a-induced neutrophil degranulation as key disease-driving mechanism in AAV (published by Hao and Wang et al 2013, PloS ONE).

Vilobelimab for the treatment of Pyoderma Gangraenosum

We are also developing vilobelimab for the treatment of Pyoderma Gangraenosum (PG). PG is a chronic inflammatory form of neutrophilic dermatosis characterized by accumulation of neutrophils in the affected skin areas. The exact pathophysiology is not fully understood, but it is postulated that inflammatory cytokine production as well as neutrophil activation and dysfunction contribute to a sterile inflammation in the skin. PG presents as painful pustule or papule, mainly on the lower extremities which rapidly progress to an extremely painful enlarging ulcer. Associated symptoms include fever, malaise, weight loss and myalgia. PG usually has a devastating effect on a patient's life due to the severe pain and induction of significant movement impairment depending on lesions' location. The exact prevalence of PG is not yet known but is estimated that up to 51,000 patients in the U.S. and Europe are affected by this disease. We plan to seek orphan drug designation for PG in the United States and Europe.

In February 2019, we initiated an open label, multi-centric Phase IIa exploratory study enrolling 18 patients with moderate to severe PG in Canada, the U.S. and Poland. The objectives of this study are to evaluate the safety and efficacy of vilobelimab in this patient population in three different doses. In February 2020, we announced initial data from the first five patients in this trial two patients achieved complete closure of the target ulcer. The drug was well tolerated, and no drug-related severe adverse events (SAE) have been recorded to date in the study. On April 15, 2021 we announced the completion of the enrollment target in this study with 19 patients. Data from the second dose cohort was announced on August 10, 2021. Ten patients were evaluable for the efficacy assessment on day 99 because 2 out of the 12 patients withdrew from the study before reaching day 99 of the treatment. Out of the 10 patients evaluable for efficacy at day 99, four patients met the response criteria, with three of them achieving complete closure of the target ulcer. The three patients who showed clinical response with a PGA score of ≤ 3 with complete target ulcer closure had elevated C5a levels at baseline. InflaRx previously reported the clinical response for two of these three patients in February 2020. The third patient demonstrating complete target ulcer closure had been increased from the 1600mg dose group to the highest dose of 2400mg dose on day 57 of the study and closed the ulcer after the dose escalation. The other six patients (three patients of which the results had been previously disclosed in February 2020) all showed slight improvement in their condition according to the PGA definition (PGA score = 4). On October 27, 2021, we released data from the third dosing cohort. In the third dosing cohort at 2400mg biweekly, six of the seven patients achieved clinical remission with a PGA score of ≤ 1, which reflects a closure of the target ulcer. All patients in cohort 3 had elevated C5a levels at baseline that were continuously suppressed after initiation of vilobelimab. From all cohorts, two patients had related SAEs that were reported: One patient experienced an erysipelas leading to hospitalization (judged as non-related by sponsor), another developed a rash due to a delayed hypersensitivity reaction and withdrew from study (which had been previously disclosed from cohort 2). No dose-related AEs were found. Overall, the observed AE profile was in line with the underlying disease. Final results from all patients are expected in the first half of 2022.

Vilobelimab for the treatment of cutaneous Squamous Cell Carcinoma

We are also developing vilobelimab for the treatment of PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic cutaneous Squamous Cell Carcinoma (cSCC). CSCC is the second most common skin cancer. The incidence of cSCC increases with increasing sun exposure and age and individuals with fair skin and hair are more often concerned. Approximately 200,000 to 400,000 cases of cSCC per year are being reported in the United States reaching up to estimates as high as 1 million per year. Estimates in Europe vary by geographic location from approximately 30/100,00 per year in Northern Europe to approximately 10/100,000 in Southern Europe. The incidence of cSCC is increasing dramatically around the world. The potential for local recurrence or metastasis of cSCC varies with the pathologic variant and localization of the primary lesion, the risk for metastasis in cSCC is approximately 2-5%. Advanced SCC 10-year survival rates are less than 20% with regional lymph

node involvement and less than 10% with distant metastases. Distant metastases have median survival of less than 2 years. In June 2021, we announced the dosing of the first patient in the open label, non-comparative, two-stage, Phase II trial investigating two independent arms: vilobelimab alone (Arm A) and vilobelimab in combination with pembrolizumab (Arm B). The main objectives of the trial are to assess the safety and antitumor activity of vilobelimab monotherapy and to determine the maximum tolerated or recommended dose, safety and antitumor activity in the combination arm. In February 2021, we announced that in the vilobelimab and pembrolizumab combination arm (Arm B), the three patients enrolled in the first dosing cohort have been treated for 36 days with no safety concerns and the independent Steering Committee unanimously voted to continue study as planned and open enrollment for second dosing cohort. The interim analysis in Arm B required to move to the second stage of the Phase II trial is expected after ten patients have been treated and are evaluable for response assessment at the recommended Phase II dose level, which will be selected based on data from the safety run-in phase of the study. These data are expected to be available in the first quarter of 2023. In parallel, we announced that enrollment continues in the monotherapy Arm A. Six patients are now enrolled in this arm. The interim analysis in Arm A required to proceed to the second stage is expected to be available after ten patients are evaluable for response assessment. These data are expected to be available in the third quarter of 2022.

INF-904

We are developing an oral, small molecule drug candidate that targets the C5aR receptor. C5aR, a G-protein-coupled-receptor expressed primarily by granulocytes, mediates the pathophysiological effects of C5a. We plan on targeting complement-mediated, chronic auto-immune and inflammatory conditions where an oral small molecule is needed for patients. All IND-enabling studies have been completed and we plan to initiate the Phase I program in the second half of 2022. An evaluation of optional clinical indications in which this drug candidate will be developed after completion of the Phase I safety study is currently ongoing.

Our strategy

Our goal is to maintain and further advance our leadership position within the anti-C5a complement space, delivering long-term and sustainable first-in-class autoimmune and anti-inflammatory therapies to market and thereby creating long-term value for patients around the globe, the Company, our shareholders and other stakeholders. To achieve this goal and the long-term value that comes with it,, we are executing on the following strategies:

- **Advance our lead program vilobelimab for HS.** Following the read-out of the Phase IIb trial, we have initiated a Phase III program that would support a regulatory application for vilobelimab for the treatment of HS. We are currently evaluating next steps regarding the development of vilobelimab in HS, based on the ongoing interactions with the FDA.

- **Advance vilobelimab to market approval for severe COVID-19**: Complete the Phase III part of the Phase II/III trial in severe COVID-19 patients and ultimately seek regulatory approval globally.

- **Advance vilobelimab in PG.** Based on the Phase IIa open label data, we plan to advance into a Phase III program once we can align on the trial design with regulatory authorities

- **Complete Phase II clinical development of vilobelimab for SCC and other complement-mediated autoimmune and inflammatory diseases.** We are studying the potential benefit of vilobelimab treatment in PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic Cutaneous Squamous Cell Carcinoma (cSCC) in an ongoing clinical Phase II proof of concept study. We plan to eventually develop vilobelimab for other complement-mediated autoimmune and inflammatory diseases in the future.

- **Complete a Phase I, first in human study with INF904.** We plan to study our C5aR antagonist in a first in human study in 2022, with a goal of developing this for the treatment of other complement-mediated auto-immune and inflammatory diseases where a small molecule is needed for patient care.

- **Establish a fully validated manufacturing process for vilobelimab.** We plan to establish a fully validated manufacturing process for vilobelimab within an established and reputable CDMO with the goal to fulfill the quality criteria to gain regulatory approval for such process. We plan to establish the final manufacturing of the finished pharmaceutical product ("fill and finish") in Germany and the transfer of the manufacturing process from China to Germany is supported by our grant from the German federal government.

- **Pursue the clinical development of IFX002 and continue to expand the breadth of our anti-C5a technology.** We are developing IFX002 as an injectable with a longer half-life than vilobelimab, making it suitable for chronic inflammatory indications with less severe flares or closer to the onset of disease. IFX002 shares the same features as vilobelimab with respect to its mechanism of action, covered binding epitope and selectivity. The pre-clinical development of IFX002 is supported by a grant from the German government. We believe IFX002 holds the potential to treat various chronic inflammatory diseases that could benefit from a dosing regimen more suitable for chronic therapy.

- **Commercialize vilobelimab, if approved, either independently or in collaboration with a partner.** We intend to independently pursue the approval and commercialization of vilobelimab for HS and potentially other indications in the United States and Europe. We plan to employ a targeted commercial infrastructure to promote access to vilobelimab through centers-of-excellence that treat HS in these core markets. Outside of the United States and Europe, we may pursue the approval and commercialization of vilobelimab for HS and potentially other indications either independently or in collaboration with others. For other indications, we intend to develop and commercialize vilobelimab either independently or through collaborations with other parties.

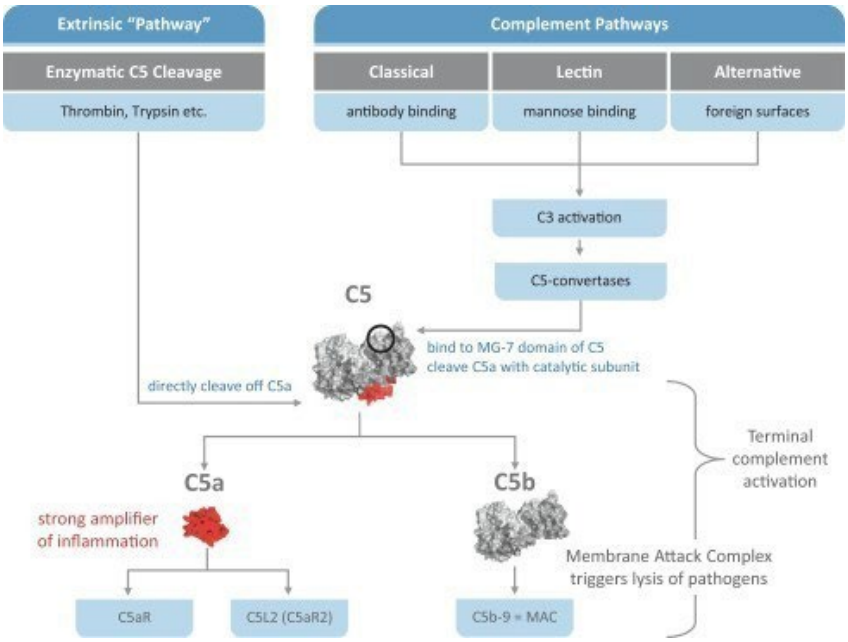
- **Solidify our leadership position in the anti-C5a space by leveraging the full potential of our proprietary anti-C5a technology and expertise in complement and inflammation.** We intend to continue to discover and develop treatments that have the potential to address a broad spectrum of complement-mediated or immune response mediated indications with significant unmet need, either internally or in collaboration with a partner. To accomplish this, we continue to supplement our research and development activities with our discovery unit in Ann Arbor, Michigan and we are further building out our business development capabilities.

The complement system and role of the C5a/C5aR axis as critical component in the immune system

The complement system: overview and terminal complement activation

The complement cascade consists of approximately 30 interacting proteins and forms a critical component of the innate immune system. This system protects the body, for example by recognizing and removing bacteria, viruses and other infectious agents, collectively referred to as pathogens. Activation of the complement system leads to a series of enzyme-like reactions that produce factors that both directly kill pathogens and recruit immune cells to sites of infection. This activation can be triggered via three major pathways: the classical pathway, the mannose binding lectin, or MBL, pathway and the alternative pathway. Activation of any pathway will lead to the cleavage of C3 and formation of C5-convertases. Terminal complement activation, which is also referred to as cleavage of C5, can be achieved by these C5 convertases. In addition, terminal complement activation can also be achieved directly through the extrinsic pathway by naturally occurring enzymes present throughout the body but not considered part of the complement system.

Cleavage of C5 results in the generation of C5a and C5b, two molecules with distinct biological activities. C5a is a strong inflammatory amplifier that exerts its biological functions by binding to two different receptors, C5aR and C5L2. C5b on the other hand assembles with C6, C7, C8 and many C9 molecules to form the MAC, an important intrinsic defense mechanism that causes the membranes of microorganisms to become permeable, leading to their disintegration, or lysis.



Functional importance of the complement system and the need for control

Overview of critical functions

The complement system serves many crucial functions within the innate immune response, such as:

- **Rapid creation of an inflammatory environment.** Production of pro-inflammatory molecules, such as C5a, optimizes the conditions under which enzymatic and other processes can act against microorganisms. These inflammatory conditions include the onset of a fever or release of aggressive enzymes and oxygen radicals by neutrophils.

- **Lysis of microorganisms through formation of the Membrane Attack Complex.** A rapid, first-line defense mechanism resulting in the formation of pores in the cell membranes of invading microorganisms, leading to their disintegration.

- **Bridge to the adaptive immune system.** This function is promoted by an activation product of C3, called C3b, which tags particles and makes them visible and more easily processed by immune stimulatory cells. Such cells then present these particles to B-cells, which in turn generate antibodies against the particles, leading to targeted elimination. This mechanism takes a few weeks to take full effect.

- **Clearance of dead cell particles.** The complement system also serves various other purposes, including the clearance of dead cell particles from the body. This function is especially important because uncleared cell particles are believed to potentially induce generation of antibodies against normal cells and tissues, leading to autoimmune inflammatory responses and diseases.

Need for control

Complement activation is a double-edged sword: the fast acting and relatively non-specific functions of pro-inflammatory responses driven by C5a and the lysis of microorganisms through MAC formation are usually very tightly controlled. However, inappropriate activation of the system can quickly turn it from a beneficial defense system into an uncontrolled inflammatory response. C5a's uncontrolled activity in certain disease states can generate an inflammatory environment within the body that results in tissue damage and promotes pro-inflammatory T-cell autoimmune responses. The resulting tissue damage is believed to critically contribute to the disease progression of many acute as well as chronic inflammatory and autoimmune diseases, particularly during flare-up phases. Examples of this include Lupus disease, inflammatory bowel disease and neutrophil-driven diseases.

Despite the MAC's role as a rapid, first-line defense mechanism, MAC formation can also result in damage to our body's cells in some diseases. Normally, the body's cells and tissues are protected from MAC-mediated lysis through surface inhibitors that prevent MAC formation. However, in paroxysmal nocturnal hemoglobinurea, or PNH, the patients' cells lack the ability to hold MAC inhibitors on their cell surface, resulting in extreme susceptibility to MAC-related cell lysis. In addition, patients with diseases involving the kidney endothelial cells, such as atypical hemolytic uremic syndrome and certain forms of glomerulonephritis, also often appear to be burdened by MAC-related damage. Blockade of MAC formation in these very rare diseases can be lifesaving.

While blockade of MAC formation can be beneficial in certain circumstances, substantially blocking MAC formation can also result in susceptibility to life-threatening infections. For example, patients dosed with drugs that block MAC formation, such as with the marketed antibody eculizumab, must be immunized against meningococcal disease, which also carries the risk of side effects. Therefore, it is desirable to leave MAC formation intact when blocking complement-mediated damage in the broad variety of diseases in which an uncontrolled inflammatory response, and especially C5a, has been described as key driver of the damage.

We believe that C5a is a key inflammatory mediator driving tissue damage in many inflammatory diseases and thus represents a very meaningful drug target with large therapeutic potential. Therefore, we have conducted substantial research over the last 18 years to generate highly specific antibodies targeting only C5a while leaving MAC formation intact, to deliver an ideal therapeutic approach for this attractive target.

Mechanisms of C5 activation

C5 can be produced by many cells, including epithelial cells of various organs, T-cells and other immune competent cells. Terminal C5 activation does not require activation of the three complement pathways and related formation of C5-convertases. Other enzymes can also directly cleave and activate C5, such that functionally active C5a can be generated in the complete absence of other complement components. For example, in the absence of other complement factors in the cell culture, lung epithelial cells can generate C5 upon stimulation, and lung macrophages can cleave and activate C5, leading to generation of C5a. This example illustrates that C5 can be activated and C5a can be generated independently from the complement pathways.

In a recently published article in Clinical Immunology, we further demonstrated that direct enzymatic cleavage of C5 occurs uninhibited in the presence of eculizumab, a known C5 inhibitor that binds to the MG-7 domain of C5 and hinders the C5 convertases from engaging and binding to C5. This research suggests that direct enzymatic cleavage of C5a from C5 works through a mechanism that is not blocked by C5 inhibitors such as eculizumab. Our studies further demonstrate that patients sufficiently dosed with eculizumab may still display elevated plasma C5a levels, implying that C5 inhibitors like eculizumab are not capable of fully blocking and controlling the C5a signaling pathway. Therefore, in diseases in which it plays a key promoting role, we believe targeting C5a directly may yield a meaningful therapeutic benefit.

C5a and its role in disease and inflammation

C5a is a small, 74-amino acid-spanning protein whose biochemical and immunological properties have been well documented in the scientific literature. C5a creates an inflammatory environment by attracting and strongly activating neutrophils as well as by causing many different cell types to generate pro-inflammatory and inflammation-related molecules. While this can help the body to respond strongly and rapidly to infections by optimizing the defense environment, uncontrolled C5a generation can induce damage to the body's tissues in a broad variety of diseases. As a result, we believe that controlling and limiting C5a generation in the body may prevent the negative effects of an over-activated C5a immune response.

C5a quickly interacts with at least two independent receptors—C5aR and C5L2 (sometimes referred to as C5aR2). C5aR and C5L2 serve as a large signaling pool for effects elicited by C5a. C5aR has been well characterized as a signaling receptor that can be strongly upregulated in almost any cell across a variety of disease settings. Although less understood, C5L2 has also been shown to promote inflammation and negatively affect outcomes in various experimental disease settings by promoting the adverse effects elicited by uncontrolled C5a. Importantly, various other complement activation products such as C3a, C3a-desArg, C4a etc. have been shown to bind to C5L2 and elicit effects different from those elicited by C5a. Thus, blocking specifically C5a as achieved by use of vilobelimab will eliminate only C5a mediated effects.

In the inflammatory response, C5a is an accelerator or "booster" of inflammation. This role of C5a extends to a broad variety of responses that include, but are not limited to, the following mechanisms:

- C5a boosts the generation of many different cytokines such as IL-8, IL-6, IL17, TNF-alpha and others in a variety of cell types as well as within the bloodstream.

- C5a induces a complex change in the cell-signaling cascade of immune-competent cells that leads to an altered and often intensified signal transduction of other known signaling stimuli, such as the Toll-like receptor signaling.

- C5a affects T-cell responses and causes a pro-inflammatory response, leading to the generation of further pro-inflammatory cytokines.

- C5a is capable of inducing adhesion molecule expression on the surfaces of blood vessels, leading to neutrophil adherence to the internal vessel wall and migration through the vessel to the site of infection.

When C5a binds to its receptors on neutrophils, they are strongly activated and move to the source of damage or infection, through a process referred to as chemotaxis, generating oxygen radicals and activated enzymes both believed to be major contributors to cellular and tissue damage in the body. Given this central function, C5a is a powerful tool that, when inappropriately activated, is capable of promoting damage to the body, ultimately leading to organ dysfunction and failure.

Various chronic inflammatory and autoimmune diseases in humans are characterized by flare-up phases during which substantial tissue damage occurs. Given C5a's numerous inflammatory promoting functions, blocking it in chronic inflammatory diseases may have a positive effect on T-cell function, overall control of the inflammatory status of the disease and a strong anti-inflammatory effect on neutrophils, which may reduce tissue damage during the flare-up phases. Multiple international research groups have demonstrated in various inflammatory animal models that blocking the C5a/C5aR signaling axis leads to reduced inflammation, improved organ performance and favorable outcomes on clinical endpoints, including improved mortality rate, disease severity or damage scores.

C5a also has been described as a potential disturbing factor for a balanced T-cell response by down-regulating regulatory T-cells and promoting pro-inflammatory T-cell responses. Research published in 2013 in Nature Immunology and the Journal of Experimental Medicine demonstrated that

blocking the C5a/C5aR signaling axis in mice restored regulatory T-cell function, inhibiting the progression of induced autoimmune diseases. Therefore, C5a is a potential drug target for the treatment of autoimmune and chronic inflammatory diseases associated with T-cell imbalance.

Role of C5a in cancer growth and metastatic disease

Different cancer cells have been found to generate their own C5a when cultured in vitro in the absence of any other complement factors or intact complement pathways. This result is possible because cancer cells produce C5, together with enzymes to directly cleave C5, thereby generating functionally active C5a. Recent research suggests that C5a contributes to cancer growth and metastatic disease, with multiple mechanisms proposed in the literature to explain this phenomenon. C5a appears to be associated with the recruitment and activation of myeloid-derived suppressor cells, also referred to as MDSCs, in tumors. Activating MDSCs suppresses the important T-cell-mediated mechanisms that usually inhibit tumor growth. Recently published findings in Cancer Cell in 2018 confirmed this mode of action that has been suggested in earlier published work. It has also been documented that C5a generates a microenvironment favorable for tumor growth by increasing angiogenesis and enhancing the expression of the checkpoint molecule PDL1, as well as other mediators that enable tumor growth. These and other existing data may explain why combined therapy of anti-PD-1/PD-L1 and C5a blockade has been shown to effectively reduce tumor growth and metastasis in a pre-clinical mouse model.

Role of C5aR as potential target for therapeutic intervention

Two C5a receptors, C5aR (also known as C5aR1 or CD88) and C5aR2 (also known as C5L2 or GPR77), mediate the biological activities of C5a. Activation of C5aR has broadly acknowledged pro-inflammatory roles, while activation of C5aR2 remains controversial having both pro- and anti-inflammatory roles. In animal models of sepsis, anti-C5a treatment ameliorated the development of inflammatory responses and improved survival. In addition, experiment evidence suggests that blockade of C5aR signaling similarly improves survival in animals with sepsis. Finally, C5aR antagonists have shown excellent therapeutic effects in numerous models of inflammatory diseases involving complement activation.

Unlike its ligand C5a, C5aR can be pharmacologically inhibited by small molecules. In October 2021, Avacopan, an oral C5aR antagonist, received market approval in the USA as an adjunctive treatment in adults for severe active ANCA-associated vasculitis (specifically MPA and GPA) in combination with standard therapy including glucocorticoids.

It is generally believed that blockade of C5a using antibodies offers a fast, complete, and safe way to control C5a-induced inflammation. The advantage of a small molecule inhibitor to C5aR is that it can be administered orally, thereby offering broad, long-term ease of administration to patients. Through proper clinical investigation of these small molecule C5aR antagonists in diseases induced by the activation of C5aR/C5aR axis, the safety and efficacy of these agents can be established. As such, the development of both, C5a and C5aR blocking agents, is necessary to combat a variety C5a/C5aR-associated diseases.

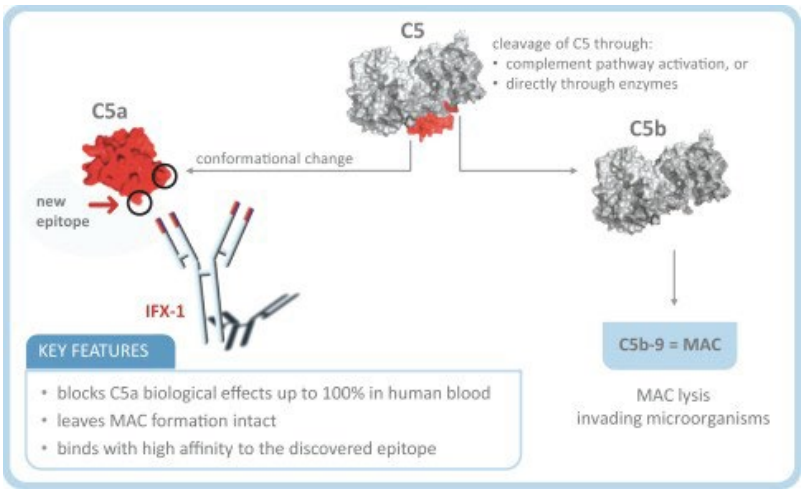
Our proprietary anti-C5a/C5aR technology and product candidates

Despite C5a's well-characterized role in promoting inflammation and related tissue and organ damage in different diseases, no marketed drug targeting C5a exists. Based on more than 17 years of research in this field, we believe the challenge in targeting C5a is to fully block the biological functions of C5a in its natural environment and leave MAC formation intact. We believe our proprietary anti-C5a/C5aR technology enables us to overcome this challenge. Unlike its ligand C5a, C5aR can be pharmacologically inhibited by small molecules. In October 2021, Avacopan, an oral C5aR antagonist, received market approval in the USA as an adjunctive treatment in adults for severe active ANCA-associated vasculitis (specifically MPA and GPA) in combination with standard therapy including glucocorticoids. We belive that the development of a small molecule inhibitor to C5aR is that it can be administered orally, thereby offering broad, long-term ease of administration to patients. Through proper clinical investigation of these small molecule C5aR antagonists in diseases induced by the activation

of C5aR/C5aR axis, the safety and efficacy of these agents can be established. As such, the development of both, C5a and C5aR blocking agents, is necessary to combat a variety C5a/C5aR-associated diseases.

Our anti-C5a/C5aR technology

When targeting C5a with a drug, the challenge is to fully control and block C5a while leaving MAC formation intact. We believe our discovery of a new conformational epitope, a binding site that can be detected by antibodies, on C5a has allowed us to solve this challenge. We believe this conformational epitope is formed only after the cleavage of C5a from the C5 molecule, suggesting that the three-dimensional structure of C5a changes upon release from C5, creating new epitopes that are only present on the free C5a molecule. This permits binding to free C5a only after it is cleaved from C5 and thus allows blocking of C5a while keeping MAC formation intact. We believe that this represents a breakthrough in the field of terminal complement C5a inhibition and that this may be particularly valuable when treating diseases that are driven by C5a, such as HS and AAV.



A conformational epitope on the surface of the C5a molecule allows for generation of highly specific blocking antibodies directed against C5a.

Our anti-C5a monoclonal antibodies are designed to have the following properties:

- **Complete immunological blockade and inhibition of C5a-induced effects:** The human body has an abundant capacity to generate C5a, and induce inflammatory effects through its two receptors, C5aR and C5L2. Therefore, our anti-C5a antibodies are designed to:

  - generate complete immunological blockade of the C5a molecule to achieve potent and effective treatments. Antibodies or inhibitors lacking this quality may leave a "signaling gap" for C5a, which, in a disease setting, will likely be sufficient to allow for strong pro-inflammatory effects. This signaling gap would limit the ability to silence the C5a/C5aR and C5a/C5L2 signaling axis to achieve the desired therapeutic effect; and

  - bind with high affinity to C5a to counteract the molecule's rapid interactions with its two receptors, C5aR and C5L2, which are abundantly present on the vast majority of cell types in the human body and that can be up-regulated in various disease settings.

- **Limited effect on MAC formation:** C5 blocking molecules that inhibit MAC formation in the blood increase the risk of life-threatening infections caused by encapsulated bacteria such as meningococci. Therefore, leaving MAC formation intact may offer a significant advantage in C5a driven diseases.

We believe that all of these features are necessary for a drug targeting C5a to achieve clinically meaningful pharmacological performance for the treatment of C5a-driven diseases such as HS, AAV or others. Furthermore, we believe that C5a-driven diseases may not be effectively targeted with complement inhibitory approaches that do not specifically and fully block C5a. These approaches such as blocking the complement pathway-driven cleavage of C5 or inhibiting the complement pathways upstream of C5, are characterized by two fundamental shortcomings:

- **Inability to fully block C5a without targeting it directly:** C5a can be generated through C5 activation by various enzymes in the complete absence of the complement pathways. For example, blocking the complement C5-convertase-driven cleavage with the C5 inhibitor eculizumab cannot block direct enzymatic C5 activation and C5a generation in an experimental setting. This may explain why elevated C5a levels remain measurable in patients effectively dosed with eculizumab. Therefore, non-specific approaches that do not bind and inhibit C5a directly may fail to fully block its effects; and

- **Lack of control over C5a's signaling ability:** C5a receptors are abundantly present on the majority of cells in humans and can be strongly and rapidly upregulated in certain disease states. As such, even with low levels of C5a, the receptors create a large "signaling sink" providing an abundant ability for even small amounts of C5a to transmit a signal. Therefore, a fully blocking targeted C5a approach is warranted in order to achieve full control over C5a-induced signaling events which may be especially important in highly acute inflammatory settings.

Vilobelimab as first-in-class anti-C5a monoclonal antibody

Our lead product candidate, vilobelimab, is an intravenously delivered monoclonal anti-C5a antibody. It is based on our proprietary anti-C5a technology and was the first C5a monoclonal antibody to enter clinical development. Vilobelimab is differentiated by its ability to:

- **fully inhibit C5a-induced signaling and derived biological functions**, as evidenced by its ability to completely prevent C5a-induced neutrophil activation in human whole blood; and

- **leave MAC formation intact**, as evidenced by testing the intact complement pathway driven MAC formation on red blood cells, leading to the lysis of these cells.

We are currently evaluating vilobelimab in various disease indications. In our lead indication HS, we have completed an international Phase IIb and an open-label Phase IIa study including a follow-on observational analysis. We have also completed one placebo-controlled, single-center Phase I study of vilobelimab in healthy volunteers and completed two double-blind, placebo-controlled, multi-center Phase IIa studies in two other acute care indications, early septic organ dysfunction and complex cardiac surgery. In all completed studies, vilobelimab was observed to be well tolerated. The placebo-controlled, multi-center Phase IIa studies in the two acute care indications demonstrated that the occurrence of adverse events was comparable between treatment groups and placebo group. The results of these studies also demonstrated that vilobelimab blocked C5a with high statistical significance (p-values < 0.001) and that MAC formation, as demonstrated by a CH50 assay described below, in the groups treated with vilobelimab was not influenced, with mean CH50 values for treatment groups and control groups within the normal range. To determine whether data is statistically significant, we use a "p-value," which represents the probability that random chance could explain the results. The FDA utilizes the reported statistical measures when evaluating the results of a clinical trial, including statistical significance as measured by p-value as an evidentiary standard of efficacy, to evaluate the reported evidence of a product candidate's safety and efficacy. If not otherwise specified, we used a conventional 5% or lower p-value ($p < 0.05$) to define statistical significance for the clinical trials and studies and data presented in this Annual Report.

Based on our clinical trials completed to date as well as the results from an EpiScreen *ex vivo* immunogenicity T-cell response assay, we believe that vilobelimab carries a low risk of provoking an

immune response following administration. The immunogenicity assay used peripheral blood mononuclear cells from 21 donors and tested how many donors' cells showed a CD4+ T-cell response following introduction of vilobelimab *ex vivo*. A response rate of over 10% (or more than three out of 21) means the applicable protein is considered to be high risk for immunogenicity, while a response rate of less than 10% means the protein is considered to be low risk. The results of the assay for vilobelimab showed that zero out of the 21 donors had a T-cell response rate, as compared to a control arm (using the A33 antibody) which showed a 30% response rate. In addition, based on an anti-drug antibody detection assay conducted in connection with our Phase IIb clinical trial in HS, 10% of patients had anti-drug antibodies (ADA) at any time during the study. Only one participant the presence of ADAs was associated with any specific AE pattern indicating symptoms possibly related to the presence or emergence of ADAs leading to an immune reaction.

In addition to HS, we are developing vilobelimab as a therapy for AAV given C5a's well-established disease promoting role in AAV, as well as in PG, a well characterized neutrophilic dermatosis, in which we have initiated a Phase II clinical development. We plan to advance development of vilobelimab in other disease settings where we believe an anti-C5a antibody could be successfully developed into a marketed therapy.

Development of small molecule inhibitors of C5aR

It is generally believed that blockade of C5a using antibodies offers a fast, complete, and safe way to control C5a-induced inflammation. The advantage of a small molecule inhibitor to C5aR is that it can be administered orally, thereby offering broad, long-term ease of administration to patients. Through proper clinical investigation of these small molecule C5aR antagonists in diseases induced by the activation of C5aR/C5aR axis, the safety and efficacy of these agents can be established. As such, the development of both, C5a and C5aR blocking agents, is necessary to combat a variety C5a/C5aR-associated diseases.

We are developing INF904, an oral, small molecule drug candidate that targets the C5aR receptor. C5aR, a G-protein-coupled-receptor expressed primarily by granulocytes, mediates the pathophysiological effects of C5a. We plan on targeting complement-mediated, chronic automimmune and inflammatory conditions where an oral small molecule is needed for patients. All IND-enabling studies have been completed and we plan to initiate the Phase I program in the second half of 2022. An evaluation of optional clnicial indications in which this drug candidate will be developed after completion of the Phase I safety study is currently ongoing.

Additional clinical and pre-clinical development for vilobelimab

Beyond HS, severe COVID-19, AAV, PG and cSCC, the indications we described in the above sections, we plan to advance the clinical development of vilobelimab in additional inflammatory and chronic complement-mediated autoimmune disease indications for which a good pre-clinical proof of concept exists and where C5a has been demonstrated as a critical disease promoting factor or where similar mechanisms, such as neutrophil-driven systemic diseases affecting the skin and or other organs, are identified.

IFX002 as follow-on anti-C5a monoclonal antibody

To expand the breadth of our anti-C5a technology, we are developing IFX002, a follow-on anti-C5a monoclonal antibody for the treatment of chronic inflammatory applications. IFX002 shares the same mechanism of action as vilobelimab in its potential to block C5a with high specificity but is designed with a dosing regimen that may be more suitable for chronic therapy. We are optimizing IFX002 to provide a prolonged half-life and potentially to be administered subcutaneously or intravenously. IFX002 will keep the performance relevant properties to fully block C5a-induced biological

effects while leaving MAC formation intact. We believe that IFX002 holds the potential to treat various chronic inflammatory diseases that may be T-cell driven and could benefit from a dosing regimen more suitable for chronic therapy. IFX002 is in pre-clinical development.

INF904 as oral small molecule inhibitor of C5aR

To expand the breadth of our anti-C5a/C5aR technology, we are also developing INF904, an oral, small molecule drug candidate that targets the C5aR receptor. C5aR, a G-protein-coupled-receptor expressed primarily by granulocytes, mediates the pathophysiological effects of C5a. We plan on targeting complement-mediated, chronic automimmune and inflammatory conditions where an oral small molecule is needed for patients. All IND-enabling studies have been completed and we plan to initiate the Phase I program in the second half of 2022. An evaluation of optional clnicial indications in which this drug candidate will be developed after completion of the Phase I safety study is currently ongoing.

Intellectual property

We aim to protect our product candidates and other commercially important proprietary anti-C5a technology by seeking and maintaining U.S. and foreign patents that are intended to cover our product candidates and compositions, and their methods of use, the methods used to manufacture them, the related therapeutic targets and associated methods of treatment and any other inventions that are commercially important to our business. We also rely on trade secrets and know-how and other intellectual property rights to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. Our success will depend significantly on our ability to obtain and maintain such patent and other proprietary protection, defend and enforce our patents, preserve the confidentiality of our trade secrets and operate our business without infringing, misappropriating or otherwise violating any patents or other intellectual property, including any proprietary rights of third parties. See the section titled “Risk factors—Risks related to our intellectual property” for additional information.

As of December 31, 2021, we owned six issued U.S. patents, three pending U.S. non-provisional patent applications, 20 issued foreign patents, one Eurasian Patent validated in 9 countries, as well as four European patent validated in 88 countries, 31 pending foreign patent applications and one pending applications filed under the Patent Cooperation Treaty (PCT). These patents include claims relating to C5a inhibitors and associated methods of use.

Our patent portfolio relating to vilobelimab and IFX002, as of December 31, 2021, is summarized below.

As of December 31, 2021, we owned four issued U.S. patents covering the composition of matter of antibodies that block C5a and their use in blocking C5a-induced biological effects in patients with diseases that involve acute or chronic inflammation, which would include in their scope HS and AAV. In addition, we owned 16 issued foreign patents, three pending foreign patent applications, one pending European patent application, one Eurasian Patent validated in nine countries, as well as two European patents validated in 74 countries covering the composition of matter of antibodies that block C5a and their use in the treatment of various diseases that involve acute or chronic inflammation, which would include in their scope HS and AAV, and, depending on the jurisdiction of the applicable patent, specifically cover the use of such antibodies in treating diseases such as ischemia and reperfusion related injuries, acute lung injury and pneumonia.

The issued U.S. and foreign patents are expected to expire in 2030, excluding any additional term for patent term adjustments or patent term extensions. If granted, the pending U.S. and foreign patent applications would be expected to expire in 2030, excluding any additional term for patent term adjustments or patent term extensions.

As of December 31, 2021, we owned two granted U.S. patents covering the use of certain binding moieties, such as antibodies, that inhibit C5a for the treatment of viral pneumonia. In addition, we owned one issued foreign patent, two pending foreign patent applications, as well as one European patent validated in 3 countries covering the use of certain binding moieties, such as antibodies, that inhibit C5a for the treatment of viral pneumonia. If issued, U.S. and foreign patents are expected to expire in 2035, excluding any additional term for patent term adjustments or patent term extensions.

As of December 31, 2021, we owned one granted U.S. patent, three pending U.S. non-provisional patent applications, three granted foreign patent applications, 26 pending foreign patent applications, and two pending European patent applications and one European patent validated in 11 countries covering the use of an inhibitor of C5a activity, for example, vilobelimab, for treating HS and other cutaneous, neutrophilic inflammatory diseases.

The issued U.S. and foreign patents are expected to expire in 2038, excluding any additional term for patent term adjustments or patent term extensions.

As of December 31, 2021, we owned one patent application under the PCT and two foreign patent applications covering an improved C5a specific antibody. If issued U.S. and foreign patents are expected to expire in 2041, excluding any additional term for patent term adjustments or patent term extensions.

As of December 31, 2021, we owned one pending application under the PCT covering the use of inhibitor of C5a activity, for example vilobelimab, for treating Corona viral diseases. If issued U.S. and foreign patents based on the application under the PCT are expected to expire in 2040, excluding any additional term for patent term adjustments or patent term extensions.

As of December 31, 2021, we owned one granted US patent, one pending U.S. non-provisional patent application, one European patent application and 16 foreign patent applications covering inhibitors of C5aR. The issued U.S. and foreign patents are expected to expire in 2040, excluding any additional term for patent term adjustments or patent term extensions.

Collaboration agreements

On December 28, 2015, we entered into a co-development agreement with Beijing Defengrei Biotechnology Co. Ltd., or BDB, ("Co-Development Agreement") for the use of the vilobelimab cell line in BDB's development of drug candidates for sale in China. Pursuant to the agreement, we granted BDB an exclusive, non-transferable license to use the vilobelimab cell line and related intellectual property solely to develop and commercialize in China BDB's drug candidates BDB-1 and BDB-2, as well as molecules that bind or interact with certain specified targets ("target-binding molecules").

Pursuant to the agreement, we are entitled to receive mid-single-digit percentage royalties on net sales of BDB's products containing BDB-1 or BDB-2. We retain the right to develop and manufacture vilobelimab and IFX002 in China solely for the purpose of commercializing products outside of China and to use the vilobelimab cell line and IFX002 cell line in China for non-commercial purposes. To the extent that we are granted regulatory approval outside of China for commercialization of a product using vilobelimab or IFX002 for an indication, and BDB does not pursue regulatory approval for BDB-1 or BDB-2 in the same or a substantially similar indication in China, by providing written notice to BDB, we may elect to pursue regulatory approval to commercialize such products in the relevant indication in China. Should we exercise such right, we would be required to pay BDB mid-single-digit percentage royalties on our net sales of such products.

Pursuant to the Co-Development Agreement, BDB has the right to use the vilobelimab cell line to manufacture an anti-C5a antibody, namely BDB-1. BDB-1 may only be commercialized in China (PRC) by BDB, and InflaRx is not directly involved in the BDB-1 development, which remains the sole responsibility of BDB. Pursuant to the Co-Development Agreement, InflaRx owns all global

commercial rights outside China to any and all discoveries derived from the development of BDB-1. To support BDB's development of BDB-1, in 2020, InflaRx allowed BDB to conduct clinical studies with BDB-1 in Spain, India, Indonesia and Bangladesh. However, InflaRx remains the sole owner of all commercial rights to BDB-1 outside of China, including in countries in which BDB is conducting clinical trials. BDB has no rights to seek marketing authorization or to commercially exploit BDB-1 outside of China. Vilobelimab is not the product being tested in clinical trials by BDB in China. Rather, it is BDB's own antibody called BDB-1.

In addition, we reserve the right to commercialize products containing BDB-1 and BDB-2 outside of China in indications for which we elect not to commercialize vilobelimab or IFX002. To the extent that we exercise this right, we would be required to pay BDB low single-digit percentage royalties on our net sales of such products.

BDB must notify us without undue delay of tests it conducts on target-binding molecules. If any such test results in binding or interaction with targets in a satisfactory manner to both BDB and us, BDB must notify us of such results and may, within a six-month period following such notice, exercise an option to commence commercializing the successfully tested target-binding molecules in China. To the extent that BDB exercises such option, BDB would be required to pay us low single-digit percentage royalties on net sales of products containing such target-binding molecules. BDB also grants us the right to exploit any target-binding molecules outside of China or, to the extent that BDB does not pursue regulatory approval in the same or a substantially similar indication, in China. To the extent that we exercise such rights, we would be required to pay BDB low to mid single-digit percentage royalties on our net sales of such products.

On November 9, 2021, we signed a second addendum to the Co-Development Agreement with BDB and Staidson (Beijing) BioPharmaceuticals Co., Ltd., or Staidson. Under the second addendum, BDB, being a wholly owned affiliate of Staidson, assigned the Co-Development Agreement to Staidson together with all rights and obligations thereunder.

The agreement continues in force unless earlier terminated. The agreement may be terminated upon the mutual agreement of the parties, or by one party upon a breach by the other party that is not cured within 30 days after receiving notice of such breach. In addition, either party may terminate the agreement if the other party challenges the terminating party's ownership of any intellectual property licensed to the non-terminating party under the agreement or undergoes certain bankruptcy or insolvency events. Moreover, we may terminate the agreement if BDB has not established a GMP standard manufacturing process or initiated any approved toxicology program by 2021.

On March 20, 2020, we entered into a clinical trial collaboration and supply agreement with Merck (known as MSD outside the US and Canada) to evaluate the combination of vilobelimab and Merck's anti-PD-1 therapy, KEYTRUDA® (pembrolizumab) in patients with cSCC. Under the terms of the agreement, we will conduct a Phase IIa clinical study with two vilobelimab arms including one with KEYTRUDA®[3]. The study is currently ongoing.

Sales and marketing

Subject to receiving marketing approval, we intend to independently pursue the commercialization of vilobelimab for HS in the United States and Europe, when approved by the applicable regulators, by employing a targeted commercial infrastructure to promote access to vilobelimab through centers-of-excellence that treat HS in these core markets. We believe that such an organization will be able to address the community of physicians who are key specialists in treating the patient populations for which vilobelimab and any other product candidates are being developed. The responsibilities of the organization would include developing educational initiatives with respect to approved products and establishing relationships with key specialists in HS and any other relevant fields of medicine.

[3] KEYTRUDA® is a registered trademark of Merck Sharp & Dohme Corp., a subsidiary of Merck & Co., Inc., Kenilworth, NJ, USA.

Manufacturing

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of our product candidates. We intend to rely on third-party contract manufacturers to produce our products and intend to recruit personnel with experience to manage the third-party contract manufacturers producing our product candidates and other product candidates or products that we may develop in the future. In addition, we expect to engage third-party manufacturers in the United States for sales of any of our approved products in the United States. We hold the manufacturer and importing license and participate in the drug product release procedure by running a key immunological release assay in-house, allowing us to release only antibody batches that demonstrate high biological blocking activity. Thus, we are responsible for overseeing the entire manufacturing process and we release final fill-finished drug product with our qualified person.

Competition

The biopharmaceutical industry is characterized by rapidly advancing biotechnologies, intense competition and a strong emphasis on proprietary products. While we believe that our technologies, knowledge, experience and scientific resources provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions and governmental agencies and public and private research institutions. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

The only approved product to treat HS in the United States and Europe is adalimumab (Humira), an inhibitor of TNF-alpha. Humira is marketed by AbbVie Inc. (AbbVie). A number of additional companies are developing product candidates to treat HS with varying mechanisms of action. These companies include Novartis AG, UCB Pharma GmbH (UCB), Janssen Research and Development LLC (Janssen), Incyte Corporate, ChemoCentryx Inc (ChemoCentryx), Eli Lilly and Company (Eli Lilly) and Pfizer Inc. (Pfizer).

Janssen has initiated a randomized, double-blind, placebo-controlled Phase II clinical study evaluating bermekimab, a monoclonal antibody targeting interleukin-1 alpha, in patients with moderate to severe HS. The multi-center, international study will enroll approximately 144 patients into three groups: two bermekimab dosing regimens versus a placebo arm over 16 weeks of therapy. The study's primary endpoint is the percentage of subjects achieving HiSCR at week 12 (secondary endpoint is HiSCR at week 16). Janssen previously completed a multicenter, open-label Phase II clinical trial for a subcutaneously administered bermekimab in HS. The rights to bermekimab were acquired by Janssen Biotech in 2019. Results of the study demonstrated that weekly treatment with bermekimab was associated with statistically significant improvement in HS, using HiSCR. In the study, 61% of patients with no prior biological therapy achieved positive HiSCR at 12 weeks, while 63% of patients who had failed previous biological therapy also achieved a positive HiSCR. An earlier single-center placebo-controlled trial as an intravenous formulation demonstrated significant improvement in the treatment arm as well (involving ten placebo and ten patients on therapy who previously failed to respond to adalimumab with the same compound). In 2016, Novartis completed a Phase II clinical trial for CJM112, a monoclonal antibody targeting interleukin-17 alpha, in moderate to severe HS patients. A limited amount of data presented within a conference poster presentation suggested certain benefits. Novartis has since launched a large Phase III clinical development program involving the marketed anti-IL17A monoclonal antibody, secukinumab, to be studied in two Phase III trials with a goal of enrolling over 900 patients combined. This compound has not recently been studied by Novartis in HS before, but 2 smaller investigator-initiated trials have recently been completed as detailed in the paragraph below. Also, Novartis has initiated a Phase II clinical study in moderate to severe HS with iscalimab, an Anti-Cd40 monoclonal antibody and LYS006 a small molecule, in 90 patients including two active and two placebo arms. The primary endpoint for each investigational drug is the proportion of patients achieving a HiSCR after 16 weeks of treatment. In addition, UCB Pharma has completed a Phase II clinical trial in moderate to severe HS patients for bimekizumab, a monoclonal antibody blocking interleukin-17AF. The study enrolled 157 patients that received bimekizumab for 12 weeks

and were evaluated using the HiSCR as the primary endpoint. The study results have not been published. UCB has initiated two Phase III studies with 490 patients per study. Patients will be enrolled in either 3 dosing arms or placebo with the primary endpoint of HiSCR at Week 16. According to UCB at the JP Morgan Conference in January 2021, topline data will be available in the first half of 2023. Janssen Research and Development has initiated a Phase II study with Tremfya (guselkumab), a monoclonal antibody targeting IL-23 targeting enrollment of 184 patients evaluating the proportion of patients achieving a HiSCR at week 16 and in 2021, the study was completed. The percent of patients who achieved the HiSCR clinical response at week 16 was Tremfya 200 mg SC, 50.8%; Tremfya 1200 mg IV to 200 mg SC, 45%; Placebo, 38.7%; the differences between placebo and each Tremfya group were not statistically significant (P=0.166 and P=0.459, respectively). In 2020, ChemoCentryx, Inc. has completed a 398 patient, Phase II study in moderate to severe HS in two doses of CCX168, a C5aR inhibitor, using the primary endpoint as the proportion of subjects a HiSCR at Week 12. The study failed to achieve statistical significance on the primary endpoint. In the lower dose of 10mg BID, 40/130 (30.8%) achieved a HiSCR response and in the higher dose group of 30mg BID 47/134 (35.1%) compared to placebo response of 40/130 (30.8%). ChemoCentryx is planning on continuing the program into a Phase III in a smaller subset of patients, the Hurley Stage 3 group. Incyte Corporation has completed a Phase IIa open label study and a Phase II dose-escalation, placebo-controlled study for INCB 54707. The Phase II clinical study is a 35 patient, dose escalating, placebo-controlled study aimed at evaluating the safety of INCB 54707 over an 8-week treatment period in patients with moderate to severe HS. The primary endpoint is the number of treatment emergent adverse events at week 8, with a secondary endpoint using the proportion of patients achieving a HiSCR up to week 16. By week 3, 33%, 56% and 50% of the 30 mg, 60 mg and 90 mg INCB054707 dose groups had AN count of 0 to 2 vs none in the placebo group. However, by week 8, there was no difference between placebo and the active treatment groups in AN count. Still, Incyte has decided to initiate a 200 patient Phase II trial with INCB 54707 using a primary endpoint of mean change from baseline in total AN count by week 16, with a secondary endpoint of HiSCR at week 16. This trial is currently recruiting. AbbVie has also initiated a Phase II, 190 patient study to evaluate the safety and efficacy of 2 dose levels of risankizumab in HS. The primary endpoint will be evaluated at 16 weeks using the HiSCR. In addition, AbbVie has initiated a Phase II, 60 patient study to investigate upadacitinib, a Janus kinase inhibitor, in HS using HiSCR at 12 weeks as the primary endpoint. The trial is currently ongoing. Eli Lily has recently initiated a 52 patient Phase II trial with LY3041658, an antagonist of CXCR1 and CXCR2, using HiSCR at week 16 as the primary endpoint. The trial is currently ongoing. Pfizer has also initiated a 192 patient Phase II study with 3 kinase inhibitors (PF 06650833, PF 06700841 and PF 06826647) in participants with moderate to severe HS. The primary endpoint is HiSCR at week 16.

Additionally, several investigator-initiated trials have been conducted or are in progress in HS:

- An open-label single center trial in the US enrolling 18 out of originally planned 21 patients with moderate to severe HS has recently been concluded with Secukinumab, a monoclonal antibody blocking interleukin-17A and initial conference reports suggested improvement of the HiSCR at last observation carried forward.

- Another open-label trial with Secukinumab enrolling 17 HS patients at a center in France has recently been conducted and reported first results during the European HS foundation meeting in February 2019, suggesting that 13 patients showed a HiSCR response at 4 months of treatment. In this study, two patients developed Crohn´s disease on month four of treatment which remained active after an immediate treatment stop throughout the 14 months trial period. Induction of Crohn´s disease is a known side effect of secukinumab and Crohn´s disease has been reported to be associated with HS disease.

- An open-label trial for Janssen's ustekinumab was recently completed in 12 HS patients. Ustekinumab is a monoclonal antibody directed against IL12 and IL23.

- A small placebo-controlled Phase II study for Swedish Orphan Biovitrum AB's anakinra, as well as an open-label single-center trial in six patients, were completed in HS patients suggesting potential efficacy in a modified intent-to-treat population. Anakinra is an IL-1 receptor antagonist.

- An open-label single center 20 patient study at the Florida Academic Dermatology Centers, sponsored by Ortho Dermatologics (Bausch Health) to evaluate the efficacy of SILIQ™ (brodalumab) for the treatment of moderate HS using the HiSCR for a period of 24 weeks of treatment, followed by an observational four-week post treatment visit.

Finally, a range of surgical procedures, topically applied medicinal products, laser and radiotherapy procedures are being investigated for the treatment of HS.

If approved for treatment of severe COVID-19 patients, vilobelimab would face competition from currently used therapeutics such as corticosteroids, interleukin IL-1, IL-6 inhibitors and anti-thrombotic therapy. Given the nature of the pandemic, many different therapeutic targets are being developed which may be or become relevant competition with vilobelimab, however the most direct competition may come from other therapies targeting the complement system. Other treatments currently under investigation for severe COVID-19 which target the complement system include:

- A Phase III open-label, randomized, controlled study to evaluate the efficacy and safety of intravenously administered ravulizumab compared with best supportive care in patients with COVID-19 severe pneumonia, acute lung injury, or acute respiratory distress syndrome by Alexion Pharmaceuticals. This study has currently been paused.

- A Phase II trial evaluating efficacy and safety of eculizumab (Soliris) in patients with COVID-19 infection, nested in the CORIMUNO-19 cohort by Alexion Pharmaceuticals. Alexion has not initiated additional studies after the data has been published.

- An investigator initiated, double-blind, randomized study versus placebo of avdoralimab (IPH5401), an anti-C5aR antibody, in patients with COVID-19 severe pneumonia by Innate Pharma. This program was stopped in July 2021 after the trial did not reach the primary endpoints.

- A Phase II Randomized, Double-Blinded, Vehicle-Controlled, Multicenter, Parallel-Group Study of APL-9 in Mild to Moderate Acute Respiratory Distress Syndrome Due to COVID-19 by Apellis Pharmaceuticals, Inc. This program was stopped in May 2021 after the study failed to reach the mortality endpoint.

- A Phase II clinical Trial to Assess the Safety and Efficacy of Complement 3 Inhibitor, AMY-101, in Patients with Acute Respiratory Distress Syndrome Due to COVID-19 (SAVE) by Amyndas Pharmaceuticals S.A.

- If approved for the treatment of AAV, vilobelimab would potentially face competition from currently used therapies, including avaocopan, corticosteroids, azathioprine, methotrexate, mycophenolate mofetil and rituximab. The current standard of care to induce remission in acutely ill AAV patients is a combination of either rituximab or azathioprine with high dose corticosteroids. Rituximab is approved and marketed by Genentech for this indication and label extension studies are ongoing. Tavneos™ (avacopan) from ChemoCentryx is now FDA approved. In addition, biosimilars of Ritximab are approved and marketed in Europe. Therapies to maintain remission include low dose corticosteroids, methotrexate, mycophenolate mofetil and rituximab. Nucala (mepolizumab), marketed by GlaxoSmithKline plc, is also FDA approved to treat a type of AAV in adults called eosinophilic granulomatosis with polyangiitis (EGPA).

- We are not aware of any C5 or C5a inhibitors FDA approved or under clinical development for the treatment of AAV, except, ChemoCentryx's avacopan (brand name Tavneos™), a C5aR inhibitor. Though it

acts through a different mechanism of action than vilobelimab, avacopan has demonstrated the potential to induce and maintain remission in AAV patients in a Phase III clinical trial. This global study enrolled a total of 331 patients with acute ANCA vasculitis met both of its primary endpoints, disease remission at 26 weeks and sustained remission at 52 weeks, which was assessed by the Birmingham Vasculitis Activity Score, or BVAS. Remission was defined as a BVAS score of zero and being off glucocorticoid treatment for at least the preceding four weeks. The pre-specified primary endpoints were remission of acute vasculitis activity at week 26 and sustained remission at week 52, where avacopan was statistically non-inferior to glucocorticoid-containing standard of care. BVAS remission was achieved at week 26 in 72.3% of the avacopan treated subjects versus 70.1% of subjects in the glucocorticoid control group ($p<0.0001$ for non-inferiority). Sustained remission at 52 weeks was observed in 65.7% of the avacopan treated patients versus 54.9% in the glucocorticoid control group ($p=0.0066$ for superiority of avacopan). Avacopan treatment also resulted in additional benefits for patients when compared to the glucocorticoid control group such as significant reduction in glucocorticoid-related toxicity, significant improvement in kidney function in patients with renal disease as measured by the glomerular filtration rate at weeks 26 and 52 (statistically significant improvements at both time points), significant improvement in health-related quality of life measures such as the validated quality of life instrument SF-36 at and the EuroQOL-5D-5L instrument (for both at weeks 26 and 52). A completed Phase II trial for avacopan was designed to assess whether high dose chronic steroids used as the standard for induction of remission in severe AAV flares could be reduced or eliminated, without compromising efficacy, by replacement with avacopan. The trial met its primary clinical endpoint, which was based on the Birmingham Vasculitis Score 3, or BVAS 3 at week 12 in patients receiving avacopan treatment, compared to the response of patients receiving the standard of care treatment. ChemoCentryx has received FDA approval in October 2021. We are encouraged by the published outcome data for avacopan that validates the role of the C5a/C5aR signaling axis in AAV patients and provides evidence that inhibition of the C5a pathway may be beneficial in treatment of AAV.

- An additional therapy for AAV in development includes an ongoing investigator-initiated trial, Abatacept, a selective T-cell costimulation modulator from Bristol-Meyers Squibb, being investigated for efficacy to achieve sustained corticosteroid-free remission in a subset of AAV patients with severe GPA. Abatacept is approved in the United States for treatment moderate to severe rheumatoid arthritis. In a large investigator-initiated clinical trial, the efficacy of a plasma exchange procedure has recently been tested in conjunction with corticosteroid treatment with respect to its impact on all-cause mortality and end-stage renal disease but did not reveal an outcome benefit for this treatment. Recently, AstraZeneca initiated a 140 patient, Phase III study with benralizumab, a monoclonal antibody targeting interleukin-5 and interleukin-5R in a type of AAV, eosinophilic granulomatosis with polyangiitis.

If approved for the treatment of PG, vilobelimab would potentially face competition from currently used therapies, such as glucocorticoids, cyclosporin or other immunosuppressive therapies. We are also not aware of any other company currently developing a drug in PG for the US or European market. However, Janssen's Remicade (infliximab) has been used several clinical studies in PG. The largest placebo-controlled trial (13 patients received infliximab and 17 patients received placebo) was published in 2005 showing benefit in PG, but no formal clinical development has continued. Janssen completed a Phase II clinical study in 10 patients using bermekimab in 2016 but has not announced any further plans to continue development. In 2015, Novartis completed an 8-patient open label proof of concept study in 2015 with gevokizumab. Novartis has not announced any plans to continue the program in PG. Outside the US and EU in Japan, AbbVie received approval in November 2020 with Humira (adalimumab) from a Phase III open label study with 22 Japanese patients with active ulcers.

There have been previously completed investigator studies in PG along with ongoing studies as stated below:

- The Technical University of Munich has an ongoing Phase II, single arm study in 5 patients with secukinumab (using the PGA five-point scale at week 16 compared to week 0 as the primary endpoint).

- The Ohio State University completed a 5 patient, Phase II open label study with ixekizumab in 2018

- The University of Zurich in 2015 completed an open label study evaluating canakinumab (Ilaris) for treatment of subjects with PG.

- Wake Forest University has currently initiated 6 patient exploratory study with Secukinumab in PG. This trial is currently recruiting.

If approved in PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic Cutaneous Squamous Cell Carcinoma (cSCC), vilobelimab would face competition from currently used therapeutics such as epidermal growth factor inhibitors, cisplatin and 5-fluorouracil (5-FU). PD-1/PD-L1 inhibitors are FDA approved to treat locally advanced or metastatic cSCC. Pembrolizumab (KEYTRUDA®) from Merck & Co is indicated for recurrent or metastatic cSCC that is not curable by surgery or radiation. Cemiplimab-rwlc (LIBTAYO®) from Regeneron is indicated for metastatic cSCC or locally advanced cSCC for those that are not candidates for curative surgery or radiation. Other treatments currently under investigation include for advanced or metastatic cSCC:

- A Phase II study of cetuximab as monotherapy and first line treatment in patients with locally advanced or metastatic squamous cell carcinoma of the skin expressing EGFR by the Centre Hospitalier of Chartres.
- A Phase II randomized trial of avelumab plus cetuximab versus avelumab alone in advanced cSCC by the Alliance for Clinical Trials in Oncology.
- A Phase II, open-label, single-arm, multi-cohort, proof-of-principle study to investigate the efficacy of cobimetinib and atezolizumab in advanced rare tumors including metastatic cSCC by the MD Anderson Cancer Center.
- A Phase II study of nivolumab in patients with locally advanced/ metastatic squamous cell carcinoma of the skin by Salzburger Landeskliniken and Bristol-Myers Squibb.
- A Phase I study of panitumumab (anti-EGFR) and talimogene laherparepvec (a gene-modified virus that may help the body build an effective immune response to kill tumor cells by the National Cancer Institute.
- A Phase I/Ib study of lenvatinib and cetuximab in patients with recurrent/metastatic head and neck squamous cell carcinoma and cutaneous squamous cell carcinoma by Memorial Sloan Kettering Cancer Center.
- A multicenter open-label Phase 1/1b study to evaluate the safety and preliminary efficacy of SO-C101 as monotherapy and in combination with pembrolizumab in patients with selected advanced/metastatic solid tumors including cSCC by Sotio a.s.
- An open-label, investigational study using ASP-1929 photoimmunotherapy in combination with cetuximab anti-PD1 therapy in EGFR expressing advanced solid tumors by Rakuten Medical, Inc.
- A first-in-human study of CDK-002 (exoSTING and innate immune response activator) in subjects with advanced/metastatic, recurrent, injectable solid tumors, with emphasis on squamous cell carcinoma of the head and neck, triple negative breast cancer, anaplastic thyroid carcinoma, and cutaneous squamous cell carcinoma by Codiak BioSciences.

However, we do not yet have FDA approval for PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic cSCC.

More generally, in the terminal complement space, there are currently two approved drugs, Eculizumab (Soliris) and Ravulizumab (Ultomiris), marketed by Alexion Pharmaceuticals, Inc. for the treatment of PNH and typical hemolytic uremic syndrome, or aHUS. However, there are several other companies developing C5 inhibitors for other indications, including Hoffmanm-La Roche AG together

in collaborations with Chugai Pharmaceutical Co., Ltd, UCB, Akari Therapeutics Plc, Iveric Bio, Alnylam Pharmaceuticals, Inc., Regeneron Pharmaceuticals, Inc. and Novartis. In addition, Alexion is known to have had a C5a inhibitor under development for graft versus host disease. Clinical stage companies focusing on the inhibition of the C5a receptor C5aR include ChemoCentryx as mentioned above, with its product candidate avacopan, as well as Innate Pharma S.A., with the in-licensed antibody IPH5401, which had recently been developed in collaboration with Astra Zeneca within the oncology field, and I-Mab Biopharma in collaboration with MorphoSys AG that has an ongoing Phase I in patients with relapsed or refractory advanced solid tumors. In addition, there are clinical stage companies targeting complement inhibition upstream from C5, such as C3, factor D and components of the lectin pathway. These approaches will likely also result in a lowering of C5a generation in blood. Companies in this area include Apellis Pharmaceuticals, Inc., Alexion Pharmaceuticals Inc. and Omeros Corporation. Furthermore, there are numerous additional companies developing pre-clinical drug candidates which target terminal complement factors and their receptors.

The key competitive factors affecting the success of our product candidates, if approved, are likely to be their efficacy, safety, dosing convenience, price and degree of market acceptance, as well as our marketing capabilities, the level of competition and the availability of reimbursement from government and other third-party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors may also obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, even if our product candidates are approved for marketing and sale, they may fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community, including if physicians are reluctant to switch their patients from existing therapies (such as adalimumab for the treatment of HS). See chapter 2.2 Risk factors— Risks related to the discovery, development and commercialization of our product candidates—Even if one of our product candidates receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success, in which case we may not generate significant revenues or become profitable."

Government regulation and product approval

Government authorities in all major pharmaceutical markets extensively regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing and import and export of pharmaceutical products such as those we are developing. Although our initial focus will be on the United States and Europe, we will develop and seek marketing approval for our products also in other countries and territories, such as Canada or Japan, and for markets that follow the leading authorities, such as Brazil or South Korea. The processes for obtaining regulatory approvals in the United States, Europe and other countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

FDA approval process

All of our current product candidates are subject to regulation in the United States by the FDA as biological products, or biologics. The FDA subjects biologics to extensive pre- and post-market regulation. The Public Health Service Act (PHSA), the Federal Food, Drug, and Cosmetic Act and other federal and state statutes and regulations govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of biologics. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to approve pending BLAs, withdrawal of approvals, clinical holds,

warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines or civil or criminal penalties.

The PHSA emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The PHSA also provides authority to the FDA to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the United States and between states.

The process required by the FDA before a new biologic may be marketed in the United States is long, expensive, and inherently uncertain. Biologics development in the United States typically involves preclinical laboratory and animal tests, the submission to the FDA of an IND (which must become effective before clinical testing may commence) and adequate and well-controlled clinical trials to establish the safety, purity and potency (safety and effectiveness) of the biologic for each indication for which FDA approval is sought. Developing the data to satisfy FDA pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity, and novelty of the product or disease.

Preclinical studies include laboratory evaluation of the purity and stability of the manufactured drug substance or active pharmaceutical ingredient and the formulated drug or drug product, as well as in vitro and animal studies to assess the safety and activity of the drug for initial testing in humans and to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal regulations and requirements, including GLP regulations. The results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, are submitted to the FDA as part of an IND. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, may continue after the IND is submitted.

An IND must become effective before United States clinical trials may begin. A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has neither commented on nor questioned the IND within this 30-day period, the clinical trial proposed in the IND may begin.

Clinical trials involve the administration of the investigational new drug or biologic to healthy volunteers or patients with the condition under investigation, all under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with good clinical practice, or GCP, an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators, and monitors; as well as (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary, or permanent, discontinuation of a clinical trial at any time, or impose other sanctions, if it believes that the clinical trial either is not being conducted in accordance with requirements or presents an unacceptable risk to the clinical trial subjects. The study protocol and informed consent information for subjects in clinical trials must also be submitted to an institutional review board (IRB) for approval. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB's requirements, or may impose other conditions. The study sponsor may also suspend a clinical trial at any time on various grounds, including a determination that the subjects or patients are being exposed to an unacceptable health risk.

Clinical trials to support BLAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap or be combined. In Phase I, the biologic is initially introduced into

healthy human subjects or patients and is tested to assess PK, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence on effectiveness. In the case of some products for severe or life-threatening diseases, such as cancer treatments, initial human testing may be conducted in the intended patient population. Phase II usually involves trials in a limited patient population to determine the effectiveness of the biologic for a particular indication, dosage tolerance and optimum dosage, and to identify common adverse effects and safety risks. If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to obtain additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites. These Phase III clinical trials are intended to establish data sufficient to demonstrate substantial evidence of the efficacy and safety of the product to permit the FDA to evaluate the overall benefit-risk relationship of the biologic and to provide adequate information for the labeling of the biologic. Trials conducted outside of the US under similar, GCP-compliant conditions in accordance with local applicable laws may also be acceptable to the FDA in support of product licensing.

Sponsors of clinical trials for investigational drugs must publicly disclose certain clinical trial information, including detailed trial design and trial results in public government databases. These requirements are subject to specific timelines and apply to most controlled clinical trials of FDA-regulated products.

After completion of the required clinical testing, a BLA is prepared and submitted to the FDA. FDA review and approval of the BLA is required before marketing of the product may begin in the United States. The BLA must include the results of all preclinical, clinical, and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture and controls, and must demonstrate the safety and efficacy of the product based on these results. The BLA must also contain extensive manufacturing information. The cost of preparing and submitting a BLA is substantial. Under federal law, the submission of most BLAs is additionally subject to a substantial application user fee, as well as an annual program user fee, which may total several million dollars and are typically increased annually.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of BLAs. Most such applications for standard review biologics are reviewed within 10 months from the date the application is accepted for filing. Although the FDA often meets its user fee performance goals, it can extend these timelines if necessary, and its review may not occur on a timely basis. The FDA usually refers applications for novel biologics, or biologics which present difficult questions of safety or efficacy, to an advisory committee—typically a panel that includes clinicians and other experts—for review, evaluation, and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the biologic is manufactured. The FDA will not approve the product unless it verifies that compliance with cGMP standards is satisfactory and the BLA contains data that provide substantial evidence that the biologic is safe and effective in the indication studied.

After the FDA evaluates the BLA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing, or information, in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the BLA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. The FDA approval is never guaranteed, and the FDA may refuse to approve a BLA if applicable regulatory criteria are not satisfied.

Under the PHSA, the FDA may approve a BLA if it determines that the product is safe, pure and potent and the facility where the product will be manufactured meets standards designed to ensure that it continues to be safe, pure, and potent. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. The approval for a biologic may be significantly more limited than requested in the application, including limitations on the specific diseases and dosages or the indications for use, which could restrict the commercial value of the product. The FDA may also require that certain contraindications, warnings, or precautions be included in the product labeling. In addition, as a condition of BLA approval, the FDA may require a risk evaluation and mitigation strategy, or REMS, to help ensure that the benefits of the biologic outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS or use of a companion diagnostic with a biologic can materially affect the potential market and profitability of the biologic. Moreover, product approval may require, as a condition of approval, substantial post-approval testing and surveillance to monitor the biologic's safety or efficacy. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

After a BLA is approved, the product may also be subject to official lot release. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official lot release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer. In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products. After approval of biologics, manufacturers must address any safety issues that arise, are subject to recalls or a halt in manufacturing, and are subject to periodic inspection.

Adverse event reporting and cGMP compliance

Adverse event reporting and submission of periodic reports are required following FDA approval of a BLA. The FDA also may require post-marketing testing, known as Phase IV testing, REMS and surveillance to monitor the effects of an approved product, or may place conditions on an approval that could restrict the distribution or use of the product. In addition, manufacture, packaging, labeling, storage and distribution procedures must continue to conform to current cGMPs after approval. Biologics manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic unannounced inspections by the FDA, during which the agency inspects manufacturing facilities to assess compliance with cGMPs. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMPs. Regulatory authorities may withdraw product approvals, request product recalls or impose marketing restrictions through labeling changes or product removals if a company fails to comply with regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

Orphan drug

Under the Orphan Drug Act, the FDA may grant orphan drug designation to biologics intended to treat a rare disease or condition—generally a disease or condition that affects fewer than 200,000 individuals in the United States. Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the biologic and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not necessarily convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first BLA

applicant to receive FDA approval for a particular product to treat a particular disease with FDA orphan drug designation is entitled to a seven-year exclusive marketing period in the United States for that product, for that indication. During the seven-year exclusivity period, the FDA may not approve any other applications to market the same drug for the same disease, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent the FDA from approving a different biologic for the same disease or condition, or the same biologic for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA application user fee.

Special Protocol Assessment process

A Special Protocol Assessment or *SPA* is a process in which Companies may ask to meet with FDA to reach agreement on the design and size of certain clinical trials, clinical studies, or animal studies ("a Request for SPA" or "Request") to determine if they adequately address scientific and regulatory requirements for a study that could support marketing approval. An SPA agreement indicates concurrence by FDA with the adequacy and acceptability of specific critical elements of overall protocol design (e.g., entry criteria, dose selection, endpoints, and planned analyses) for a study intended to support a future marketing application. These elements are critical to ensuring that the trial conducted under the protocol can be considered an adequate and well-controlled study that can support marketing approval. Feedback on these issues provides the benefit of certainty of adequacy in planning a late-phase development strategy. However, an SPA agreement does not indicate FDA's concurrence on every protocol detail. The existence of an SPA agreement does not guarantee that FDA will file (accept) a BLA or that the results will be adequate to support approval.

Other healthcare laws and compliance requirements

In the United States, our activities are potentially subject to regulation by federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services, other divisions of the U.S. Department of Health and Human Services (for example, the Office of Inspector General), the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments.

EU approval process

The EMA is a decentralized scientific agency of the European Union. It coordinates the evaluation and monitoring of centrally-authorized medicinal products. It is responsible for the scientific evaluation of applications for EU marketing authorizations, as well as the development of technical guidance and the provision of scientific advice to sponsors. The EMA decentralizes its scientific assessment of medicines by working through a network of about 4,500 experts throughout the European Union, nominated by the member states. The EMA draws on resources of over 40 National Competent Authorities (the NCAs) of EU member states. The Paul Ehrlich Institute, or PEI, is one of the NCAs for Germany, and regulates, among others, antibody products.

The process regarding approval of medicinal products in the European Union follows roughly the same lines as in the United States and generally involves satisfactorily completing each of the following:

- preclinical laboratory tests, animal studies and formulation studies all performed in accordance with the applicable EU Good Laboratory Practice regulations;

- submission to the relevant national authorities of a clinical trial application or CTA for each trial in humans, which must be approved before the trial may begin in each country where patient enrollment is planned;

- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each proposed indication;

- submission to the relevant competent authorities of a Marketing Authorization Application or MAA, which includes the data supporting safety and efficacy as well as detailed information

on the manufacture and composition of the product in clinical development and proposed labelling;

- satisfactory completion of an inspection by the relevant national authorities of the manufacturing facility or facilities, including those of third parties, at which the product is produced to assess compliance with strictly enforced current Good Manufacturing Practices;

- potential audits of the non-clinical and clinical trial sites that generated the data in support of the MAA; and

- review and approval by the relevant competent authority of the MAA before any commercial marketing, sale or shipment of the product.

Preclinical studies

Preclinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animal studies, in order to assess the quality and potential safety and efficacy of the product. The conduct of the preclinical tests and formulation of the compounds for testing must comply with the relevant international, EU and national legislation, regulations and guidelines. The results of the preclinical tests, together with relevant manufacturing information and analytical data, are submitted as part of the CTA.

Clinical trial approval

Pursuant to the Clinical Trials Directive 2001/20/EC, as amended, a system for the approval of clinical trials in the European Union has been implemented through national legislation of the member states. Under this system, approval must be obtained from the competent national authority of each EU member state in which a study is planned to be conducted. To this end, a CTA is submitted, which must be supported by an investigational medicinal product dossier, or IMPD, and further supporting information prescribed by the Clinical Trials Directive and other applicable guidance documents including, but not limited to, the study protocol. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application in that country. In Germany, CTA is often not granted until after one or more rounds of questions to be answered or requests to be met by the regulatory authority.

Directive 2001/20/EC will be replaced by Regulation (EU) No 536/2014, which became effective on June 16, 2014. The timing of its first application depends, however, on a fully functional EU clinical trials portal and database. The Regulation becomes applicable six months after the European Commission publishes a notice of confirmation that the required functionality is in place. The entry into application of the Regulation is currently estimated to occur in 2019. The Regulation introduces an authorization procedure based on a single submission via a single EU portal, an assessment procedure leading to a single decision, as well as transparency requirements (the proactive publication of clinical trial data in the EU database). Since October 2016, based on its Policy 0070, the EMA has been publishing clinical data submitted by pharmaceutical companies to support their MAA for human medicines under this centralized procedure.

Manufacturing and import into the EU of investigational medicinal products is subject to the holding of appropriate authorizations and must be carried out in accordance with current Good Manufacturing Practices.

Marketing authorization application

Authorization to market a product in the EU member states proceeds under one of four procedures: a centralized authorization procedure, a mutual recognition procedure, a decentralized procedure or a national procedure. Since our products by their virtue of being antibody-based biologics fall under the centralized procedure, only this procedure will be described here.

Centralized authorization procedure

Certain drugs, including medicinal products developed by means of biotechnological processes, must be approved via the centralized authorization procedure for marketing authorization. A successful application under the centralized authorization procedure results in a marketing authorization from the European Commission, which is automatically valid in all EU member states. The other European Economic Area member states (namely Norway, Iceland and Liechtenstein) are also obligated to recognize the Commission decision. The EMA and the European Commission administer the centralized authorization procedure.

Under the centralized authorization procedure, the CHMP serves as the scientific committee that renders opinions about the safety, efficacy and quality of human products on behalf of the EMA. The CHMP is composed of experts nominated by each member state's national drug authority, with one of them appointed to act as Rapporteur for the co-ordination of the evaluation with the possible assistance of a further member of the Committee acting as a Co-Rapporteur. After approval, the Rapporteur(s) continue to monitor the product throughout its life cycle. The CHMP is required to issue an opinion within 210 days of receipt of a valid application, though the clock is stopped if it is necessary to ask the applicant for clarification or further supporting data. The process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts. Once the procedure is completed, a European Public Assessment Report, or EPAR, is produced. If the CHMP concludes that the quality, safety and efficacy of the medicinal product is sufficiently proven, it adopts a positive opinion. The CHMP's opinion is sent to the European Commission, which uses the opinion as the basis for its decision whether or not to grant a marketing authorization. If the opinion is negative, information is given as to the grounds on which this conclusion was reached.

After a drug has been authorized and launched, it is a condition of maintaining the marketing authorization that all aspects relating to its quality, safety and efficacy must be kept under review. Sanctions may be imposed for failure to adhere to the conditions of the marketing authorization. In extreme cases, the authorization may be revoked, resulting in withdrawal of the product from sale.

Accelerated assessment procedure

When an application is submitted for a marketing authorization in respect of a drug for human use which is of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation, the applicant may request an accelerated assessment procedure pursuant to Article 14(9) of Regulation (EC) 726/2004. Under the accelerated assessment procedure, the CHMP is required to issue an opinion within 150 days of receipt of a valid application, subject to clock stops. We believe that some of the disease indications in which our product candidates are currently being or may be developed in the future qualify for this provision, and we will take advantage of this provision as appropriate.

Conditional approval

As per Article 14(7) of Regulation (EC) 726/2004, a medicine that would fulfill an unmet medical need may, if its immediate availability is in the interest of public health, be granted a conditional marketing authorization on the basis of less complete clinical data than are normally required, subject to specific obligations being imposed on the authorization holder. These specific obligations are to be reviewed annually by the EMA. The list of these obligations shall be made publicly accessible. Such an authorization shall be valid for one year, on a renewable basis.

Period of authorization and renewals

A marketing authorization is initially valid for five years and may then be renewed on the basis of a re-evaluation of the risk-benefit balance by the EMA or by the competent authority of the authorizing member state. To this end, the marketing authorization holder shall provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, in-

cluding all variants introduced since the marketing authorization was granted, at least six months before the marketing authorization ceases to be valid. Once renewed, the marketing authorization shall be valid for an unlimited period, unless the Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Any authorization which is not followed by the actual placing of the drug on the EU market (in case of centralized procedure) or on the market of the authorizing member state within three years after authorization shall cease to be valid (the so-called sunset clause).

Orphan drug designation

Regulation (EC) 141/2000 states that a drug shall be designated as an orphan drug if its sponsor can establish:

- that it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Union when the application is made, or;

- that it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment; and

- that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the European Union or, if such method exists, the drug will be of significant benefit to those affected by that condition.

Regulation (EC) 847/2000 sets out criteria for the designation of orphan drugs.

An application for designation as an orphan product can be made any time prior to the filing of an application for approval to market the product. Marketing authorization for an orphan drug leads to a 10-year period of market exclusivity, which means that no similar medicinal product can be authorized in the same indication. This period may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation, for example because the product is sufficiently profitable not to justify continued market exclusivity. In addition, derogation from market exclusivity may be granted on an individual basis in very selected cases, such as consent from the marketing authorization holder, inability to supply sufficient quantities of the product or demonstration of "clinically relevant superiority" by a similar medicinal product. Medicinal products designated as orphan drugs pursuant to Regulation (EC) 141/2000 are eligible for incentives made available by the European Union and by the member states to support research into, and the development and availability of, orphan drugs.

If the MAA of a medicinal product designated as orphan drug pursuant to Regulation (EC) 141/2000 includes the results of all studies conducted in compliance with an agreed PIP, and a corresponding statement is subsequently included in the marketing authorization granted, the 10-year period of market exclusivity will be extended to 12 years.

We intend to apply for orphan status for the HS indication in the United States for vilobelimab. Depending on the outcome and available data of vilobelimab studies in the AAV indication, we may apply for orphan drug status in the United States as well as in Europe.

Regulatory data protection

Without prejudice to the law on the protection of industrial and commercial property, marketing authorizations for new medicinal products benefit from an 8+2+1 year period of regulatory protection.

This regime consists of a regulatory data protection period of eight years plus a concurrent market exclusivity of 10 years plus an additional market exclusivity of one further year if, during the first

eight years of those 10 years, the marketing approval holder obtains an approval for one or more new therapeutic indications which, during the scientific evaluation prior to their approval, are determined to bring a significant clinical benefit in comparison with existing therapies. Under the current rules, a third party may reference the preclinical and clinical data of the reference product beginning eight years after first approval, but the third party may market a generic version of the reference product after only 10 (or 11) years have lapsed.

International regulation

In addition to regulations in the United States and Europe, a variety of foreign regulations govern clinical trials, commercial sales, and distribution of product candidates. The approval process varies from country to country and the time to approval may be longer or shorter than that required for FDA or European Commission approval.

Pharmaceutical coverage, pricing and reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of products approved by the FDA and other government authorities. Sales of products will depend, in part, on the extent to which third-party payors, including government health programs in the United States such as Medicare and Medicaid, commercial private and public health insurers and managed care organizations, provide coverage and establish adequate reimbursement levels for, such products. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors are increasingly challenging the prices charged, examining the medical necessity, and reviewing the cost-effectiveness of medical products and services and imposing controls to manage costs. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the approved products for a particular indication.

In order to secure coverage and reimbursement for any product approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, in addition to the costs required to obtain FDA or other comparable regulatory approvals. Nonetheless, product candidates may not be considered medically necessary or cost effective. Additionally, a payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. Third-party reimbursement may not be sufficient to maintain price levels high enough to realize an appropriate return on investment in product development.

The containment of healthcare costs also has become a priority of federal, state and foreign governments and the prices of drugs have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which a company or its collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Outside the United States, ensuring adequate coverage and payment for our product candidates will face challenges. Pricing of prescription pharmaceuticals is subject to governmental control in many countries. Pricing negotiations with governmental authorities can extend well beyond the receipt of regulatory marketing approval for a product and may require us to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our commercialization efforts.

In the European Union, pricing and reimbursement schemes to restrict the range of drug products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use vary widely from country to country. Some countries provide that drug products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular drug candidate to currently available therapies. European Union member states may also require approval of a specific price for a drug product or may instead adopt a system of direct or indirect controls on the profitability of the company placing the drug product on the market. Other member states allow companies to fix their own prices for drug products but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert competitive pressure that may reduce pricing within a country. Any country that has price controls or reimbursement limitations for drug products may not allow favorable reimbursement and pricing arrangements.

3.3 Organizational structure

InflaRx N.V. has two direct wholly-owned subsidiaries, InflaRx GmbH and InflaRx Pharmaceuticals, Inc. We primarily operate our business out of our operating subsidiary InflaRx GmbH.

3.4 Property and equipment

Our headquarters are in Jena, Germany, where we occupy approximately 8,000 square feet of office and laboratory space under an extendable lease that expires in December 2022. In addition, we occupy approximately 13,700 square feet of office space in Planegg-Martinsried (Munich), Germany under a lease that expires in May 2027. Furthermore, we have leased office and laboratory space in Ann Arbor, United States under an extendable lease that expires in April 2024.

3.5 Stakeholder dialogue

We believe communication with our key stakeholders is crucial. Key stakeholders of the Company are shareholders, employees, suppliers, patients and regulatory authorities. We communicate with our shareholders regularly via press releases and webcasts. We also regularly communicate with our employees, among other things on major changes and achievements. We conduct transparent communication with suppliers, patients and regulatory authorities.

4 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

4.1 Operating results

You should read the following discussion and analysis of our financial condition and results of operations together with the information in our Consolidated Financial Statements and the notes thereto.

The following discussion is based on our financial information prepared in accordance with IFRS as issued by the IASB, which may differ in material respects from generally accepted accounting principles in the United States and other jurisdictions. The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "2.2 Risk factors" and "1.2 Forward-Looking Statements."

Overview

We are a clinical-stage biopharmaceutical company focused on applying our proprietary anti-C5a/C5aR technology to discover and develop first-in-class, potent and specific inhibitors of the complement activation factor known as C5a and its receptor known as C5aR. C5a is a powerful inflammatory mediator involved in the progression of a wide variety of autoimmune and other inflammatory

diseases. Our lead product candidate, vilobelimab, is a novel intravenously delivered first-in-class anti-C5a monoclonal antibody that selectively binds to free C5a and has demonstrated disease-modifying clinical activity and tolerability in multiple clinical settings.

We have been developing vilobelimab for the treatment of HS, a chronic debilitating systemic inflammatory skin disease. In June 2019, we announced that our Phase IIb clinical trial of vilobelimab in HS did not meet its primary endpoint. We subsequently announced the results of additional analysis and first interim results of the open label extension trial. In 2021, we agreed with the FDA on a modified endpoint, the m-HiSCR to be used as primary endpoint in future clinical trials. In light of all available data from the post-hoc analysis of the completed SHINE study and our interaction with the regulatory authorities, we initiated we initiated a Phase III study with vilobelimab in HS in January 2022 which was paused in February 2022, after having received conflicting advice from the FDA regarding the proposed clinical trial protocol and the primary endpoint of the study described therein. In March 2022, the FDA corrected its advice to us and we are currently evaluating next steps regarding the development of vilobelimab in HS. We intend to develop vilobelimab and other proprietary antibodies and molecules, and evaluate other technologies as well, to address a wide array of complement-mediated and other diseases with significant unmet needs, including severe COVID-19, AAV, a rare, life-threatening autoimmune disease, PG, a rare inflammatory skin disorder and cSCC and potentially other indications and diseases. Since our inception in December 2007, we have devoted substantially all of our resources to establishing our company, raising capital, developing our proprietary anti-C5a/C5aR technology, identifying and testing potential product candidates and conducting clinical trials of our lead product candidate, vilobelimab. To date, we have not generated any product revenue and have financed our operations primarily through public offerings, the private placement of our securities and other income from various grants, including a grant awarded by the German federal government in October 2021. As of December 31, 2021, we had raised an aggregate of approximately €274.8 million, comprised of €74.0 million in gross proceeds from private placements of our securities, €81.8 million in net proceeds from our initial public offering in November 2017, €49.2 million in net proceeds from a follow-on public offering in May 2018, €9.0 million in net proceeds from the at-the-market program from during 2020, as well as €2.8 million in net proceeds from the at-the-market program during 2021 and €58.0 million in net proceeds from a public offering in March 2021. As of December 31, 2021, we had cash and cash equivalents of €26.2 million and €83.7 million in marketable securities. In addition, as of December 31, 2021, we have received €8.3 million to support the development of our COVID-19 clinical development as part of a grant in the amount of €43.7 million awarded to us in October 2021.

On July 8, 2020, we filed a Form F-3 registration statement with the United States Securities and Exchange Commission (SEC) with respect to the offer and sale of securities of the Company (Shelf Registration Statement). We also filed with the SEC a prospectus supplement (Prospectus Supplement) relating to an at-the-market program providing for the sales of our stock over time of up to $50.0 million of our common shares pursuant to a Sales Agreement with SVB Leerink LLC. As of December 31, 2021, we had issued a total of 2,568,208 common shares through this program, resulting in €11.8 million in net proceeds to us. The remaining value authorized for sale under the at-the-market program amounts to $35.2 million.

On February 25, 2021, the Company sold an aggregate of 15,000,000 common shares through a follow-on public offering. The common shares were sold at a price of $5.00 per share (before underwriting discounts and offering costs) and, for each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of $5.80. The transaction closed on March 1, 2021 with gross offering proceeds to the Company of $75.0 million (€62.2 million), before deducting $4.5 million (€3.7 million) in underwriting discounts and other offering expenses of $0.4 million (€0.3 million). The warrants were exercisable immediately upon their issuance and expired on March 1, 2022. No warrants were exercised.

As of December 31, 2021, we had an accumulated deficit of €214.0 million. We have incurred significant net operating losses in every year since our inception and expect to continue to incur increasing net operating losses for the foreseeable future. Our net losses may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses may increase significantly if, and as we:

- evaluate any additional clinical development of vilobelimab in HS;
- continue to advance vilobelimab through clinical development for additional indications, including severe COVID-19, AAV, PG and cSCC;
- initiate and continue research programs and development activities, including development of IFX002 and INF904;
- continue to validate our manufacturing process for vilobelimab in order to meet regulatory standards for approval as a commercial manufacturing process;
- actively seek to identify additional research programs and additional product candidates;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain personnel, such as for business development and others; and
- incur additional costs with operating as a public company, including expanding our operational, finance and management teams.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain regulatory approval for a product candidate, which we expect will take a number of years and is subject to significant uncertainty. If we obtain regulatory approval for any product candidate, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we may seek to further fund our operations through public or private equity or debt financings or other sources, including strategic collaborations. We may, however, be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed, could have a negative impact on our financial condition and our ability to develop vilobelimab or any additional product candidates.

Financial operations overview

Revenue

To date, we have not generated any revenue and do not expect to do so in the near future. We expect that our revenue will be less than our expenses for the foreseeable future and that we will experience increasing losses as we continue our development of, and seek regulatory approvals for, vilobelimab and any other product candidates and, if approved, begin to commercialize any approved products. Our ability to generate revenue for each product candidate for which we receive regulatory approval will depend on numerous factors, including level of competition, availability of reimbursement from payers, commercial manufacturing capability, market acceptance and approved use by regulators.

Other income

We have historically earned other income through several grants from the German government, the European Union and other institutions on behalf of the German government, primarily with respect to research and development activities related to the development of vilobelimab and IFX002. These grants generally provide for reimbursement of approved costs incurred as defined in the respective grants. Income in respect of grants also includes contributions towards the costs of research and development. Income is recognized when costs under each grant are incurred in accordance with the terms and conditions of the grant and the collectability of the receivable is reasonably assured. On October 19, 2021, we announced that we received a grant of up to EUR 43.7 million from the German **federal Government** to support the Company's development of vilobelimab for the treatment for severe COVID-19 patients. The initial tranche amounts to EUR 25.8 million (approximately USD 29.9 million) and is structured as reimbursement of 80% of certain pre-specified expenses related to the clinical development and manufacturing of vilobelimab. Earning of the funding received

from the **German federal government** is contingent on incurring eligible expenses and will be recognized as other income once certain grant conditions are met.

Research and development expenses

Research and development expenses have consisted principally of:

- expenses incurred under agreements with contract research organizations, or CROs, contract manufacturing organizations, or CMOs, consultants and independent contractors that conduct research and development, preclinical and clinical activities on our behalf;
- employee-related expenses, including salaries, benefits and stock-based compensation expense based upon employees' role within the organization; and
- professional fees for lawyers related to the protection and maintenance of our intellectual property.

Our total research and development expenses in 2021 were higher compared to our expenses in 2020. The costs are expected to continue to increase in 2022 as we might initiate the Phase III development of vilobelimab in HS and in other indications. The increase of research and development expenses in 2022 and future periods is expected to primarily relate to the following key programs:

- ***vilobelimab***. We expect our expenses associated with vilobelimab will increase in 2022 compared to 2021, as we are conducting the Phase III part of the clinical study in severe COVID-19, preparing to initiate a Phase III study in HS, conducting our Phase II clinical program of vilobelimab in patients with AAV and our Phase II clinical trial program in patients with PG and conducting a Phase II clinical program in cSCC. We might also potentially consider development of vilobelimab in additional indications. In addition, we are also incurring expenses related to the manufacturing of clinical trial material and by investigating commercial scale production options.
- ***IFX002***. We are continuing preclinical development of IFX002, expenses for which mainly consist of salaries, costs for preclinical testing conducted by CROs and costs for the production of preclinical material.
- ***INF904.*** We are developing an oral, small molecule drug candidate that targets the C5aR receptor. All IND-enabling studies have been completed and we plan to initiate the Phase I program in the second half of 2022.
- ***Other development programs***. Our other research and development expenses relate to our preclinical studies of other product candidates and discovery activities, expenses for which mainly consist of salaries, costs for production of preclinical compounds and costs paid to CROs.

In 2021 and 2020, we incurred €35.7 million and €25.7 million of research and development expense, respectively. Our research and development expenses may vary substantially from period to period based on the timing of our research and development activities, including due to timing of clinical trial initiation and potential enrollment.

We expense research and development costs as incurred. We recognize costs for certain development activities, such as preclinical studies and clinical trials, based on an evaluation of the progress to completion of specific tasks. We use information provided to us by our vendors such as patient enrollment or clinical site activations for services received and efforts expended. Research and development activities are central to our business model.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence

from, any of our product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- clinical trials or our product candidates producing negative or inconclusive results, including failure to demonstrate statistical significance;
- the scope, rate of progress, results and cost of our clinical trials, nonclinical testing, and other related activities;
- delays in reaching, or failing to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites or prospective CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- the cost of validating the manufacturing process for our product vilobelimab in order to be able to achieve regulatory approval for the process and being able to manufacture commercial-grade material;
- the cost of manufacturing clinical supplies and establishing commercial supplies of our product candidates and any products that we may develop;
- third-party contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- the number and characteristics of product candidates that we pursue;
- undesirable side effects or other unexpected characteristics, causing us or our investigators, regulators or institutional review boards to suspend or terminate the trials;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the cost, timing, and outcomes of regulatory approvals;
- the number of trials required for approval;
- the duration of patient follow-up;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing and other arrangements that we may establish, including any milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of vilobelimab, IFX002 or any other product candidate that we may develop could mean a significant change in the costs and timing associated with the development of such product candidate.

General and administrative expenses

Our general and administrative expenses consist principally of:

- employee-related expenses, including salaries, benefits and stock-based compensation expense based upon employees' role within the organization;

- professional fees for auditors and consulting expenses not related to research and development activities;

- professional fees for lawyers not related to the filing, prosecution, protection and maintenance of our intellectual property; and

- cost of facilities, communication and office expenses.

We expect that our general and administrative expenses will increase in the future as our business expands and we incur additional costs associated with operating as a public company. These public company-related costs relate primarily to additional personnel, additional legal fees, audit fees, directors' and officers' liability insurance premiums and costs associated with investor relations.

Critical judgements and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing our financial statements, the critical judgements made by management in applying our accounting policies involves the accounting estimates identified in note '2. Risk – (a) Critical estimates and judgements' to our consolidated financial statements included elsewhere in this Annual Report.

New standards and interpretations not yet adopted

The standards, amendments to standards and interpretations that are effective for annual periods beginning after December 31, 2021 and have not been applied in preparing these consolidated financial statements are disclosed in note '4. Other information – (g) Summary of significant accounting policies – 3. New standards and interpretations not yet adopted' to our consolidated financial statements included elsewhere in this Annual Report.

Results of operations

The numbers below have been derived from our consolidated financial statements included elsewhere herein. The discussion below should be read along with these consolidated financial statements, and it is qualified in its entirety by reference to them.

Comparison of the years ended December 31, 2021 and 2020

	2021	2020	Change
		(in €)	
Research and development expenses	(35,697,935)	(25,684,140)	(10,013,795)
General and administrative expenses	(11,984,722)	(8,467,203)	(3,517,519)
Other income and expenses (net)	47,840	208,539	(160,699)
Loss before interest and income taxes	**(47,634,816)**	**(33,942,804)**	**(13,692,012)**
Net financial result	2,004,757	(40,810)	2,045,567
Loss before tax	**(45,630,059)**	**(33,983,614)**	**(11,646,445)**
Income tax expense	—	—	—
Loss for the period	**(45,630,059)**	**(33,983,614)**	**(11,646,445)**
Exchange differences on translating operations in foreign currency	6,777,061	(5,954,019)	12,731,080
Total comprehensive loss	**(38,852,998)**	**(39,937,633)**	**1,084,635**

Research and development expenses

	2021	2020	Change
		(in €)	
Third-party expenses	28,247,081	19,886,693	8,360,388
Personnel expenses	5,941,813	4,480,890	1,460,923
Other expenses	1,509,041	1,316,557	192,484
Total	**35,697,935**	**25,684,140**	**10,013,795**

Research and development expenses increased by €10.0 million in the year ended December 31, 2021 compared to the year ended December 31, 2020.

This increase is attributable to higher CRO and CMO costs from clinical trials in the amount of €8.4 million. This increase was primarily due to higher expense for the Phase III part of our COVID-19 trial and other running trials like Phase II clinical program in patients with AAV, the Phase II clinical program in patients with PG, the preparation of a Phase II clinical program in patients cSCC and ongoing manufacturing activities for clinical trial related materials.

In addition there was a €1.5 million increase in employee-related costs mainly caused by a €1.0 million decrease in expenses from share-based compensation.

General and administrative expenses

	2021	2020	Change
		(in €)	
Personnel expenses	6,500,680	3,880,349	2,620,331
Legal, consulting and audit fees	2,065,423	1,603,711	461,712
Other expenses	3,418,619	2,983,144	435,475
Total	**11,984,722**	**8,467,203**	**3,517,519**

General and administrative expenses increased by €3.5 million to €12.0 million for the year ended December 31, 2021, from €8.5 million for the year ended December 31, 2020. This increase is primar-

ily attributable to a €2.2 million increase in expenses from share-based compensation. Legal, consulting and audit fees and other expenses increased by €0.5 million to €2.1 million for the year ended December 31, 2021, mainly due to higher consulting and legal costs, mainly triggered by SOX implementation. The increase of other expenses by €0.4 million is primarily related to higher D&O insurance cost.

Net financial result

	2021	2020	Change
		(in €)	
Foreign exchange income	5,569,836	3,656,921	1,912,915
Interest income	109,391	887,702	(778,311)
Total finance income	**5,679,227**	**4,544,624**	**1,134,603**
Foreign exchange expense	(3,605,701)	(4,433,435)	827,735
Other finance costs	(68,769)	(152,000)	83,231
Total finance costs	**(**3,674,470)	**(**4,585,435)	**910,966**
Net financial result	**2,004,757**	**(40,810)**	**2,045,567**

Net financial result increased by €2.0 million in the year ended December 31, 2021 compared to the year ended December 31, 2020. This net increase is mainly attributable to higher foreign exchange income, which increased by €1.9 million and lower foreign exchange expense, which decreased by €0.8 million. This effect was offset by lower interest income on marketable securities, which decreased by €0.8 million. Foreign exchange income and expense is mainly derived from the translation of our U.S. dollar dominated cash, cash equivalents and marketable securities held by InflaRx GmbH. These amounts are translated into euros at the exchange rates prevailing on the reporting date. Any resulting translation differences are recognized in profit and loss.

Comparison of the years ended December 31, 2020 and 2019

	2020	2019	Change
		(in €)	
Research and development expenses	(25,684,140)	(44,582,136)	18,897,996
General and administrative expenses	(8,467,203)	(12,501,048)	4,033,845
Other income and expenses (net)	208,539	315,011	(106,472)
Loss before interest and income taxes	**(33,942,804)**	**(56,768,173)**	**22,825,369**
Net financial result	(40,810)	3,513,355	(3,554,165)
Loss before tax	**(33,983,614)**	**(53,254,817)**	**19,271,203**
Income tax expense	—	—	—
Loss for the period	**(33,983,614)**	**(53,254,817)**	**19,271,203**
Exchange differences on translating operations in foreign currency	(5,954,019)	2,177,033	(8,131,052)
Total comprehensive loss	**(39,937,633)**	**(51,077,785)**	**11,140,152**

Research and development expenses

	2020	2019	Change
		(in €)	
Third-party expenses	19,886,693	36,783,223	(16,896,530)
Personnel expenses	4,480,890	6,231,812	(1,750,922)
Other expenses	1,316,557	1,567,101	(250,544)
Total	**25,684,140**	**44,582,136**	**-18,897,996**

Research and development expenses decreased by €18.9 million in the year ended December 31, 2020 compared to the year ended December 31, 2019.

This decrease is attributable to lower CRO and CMO costs from clinical trials in the amount of €16.9 million as the Phase IIb clinical development of vilobelimab in HS concluded in 2019 and total costs in 2020 associated with our other running trials were lower than those incurred in 2019. In 2020, we incurred costs for the new Phase II/III clinical trial in patients with severe COVID-19 (2020: €4.9 million, 2019: nil) and other running trials like Phase II clinical program in patients with AAV, the Phase II clinical program in patients with PG, the preparation of a Phase II clinical program in patients cSCC and ongoing manufacturing activities for clinical trial related materials.

In addition there was a €1.8 million decrease in employee-related costs mainly caused by a €2.0 million decrease in expenses from share-based compensation.

General and administrative expenses

	2020	2019	Change
		(in €)	
Personnel expenses	3,880,349	7,534,073	(3,653,724)
Legal, consulting and audit fees	1,603,711	2,199,640	(595,929)
Other expenses	2,983,144	2,767,335	215,809
Total	**8,467,203**	**12,501,048**	**(4,033,845)**

General and administrative expenses decreased by €4.0 million to €8.5 million for the year ended December 31, 2020, from €12.5 million for the year ended December 31, 2019. This decrease is primarily attributable to a €3.8 million decrease in expenses from share-based compensation. Legal, consulting and audit fees and other expenses decreased by €0.6 million to €1.6 million for the year ended December 31, 2020, from €2.2 million for the year ended December 31, 2019, due mainly to lower consulting and legal costs. The increase of other expenses by €0.2 million is primarily related to higher D&O insurance cost.

Net financial result

	0200	2019	Change
		(in €)	
Foreign exchange income	3,656,922	3,379,643	277,279
Interest income	887,702	2,840,676	(1,952,974)
Total finance income	**4,544,624**	**6,220,320**	**(1,675,696)**
Foreign exchange expense	(4,433,435)	(2,684,699)	(7,118,134)
Other finance costs	(152,000)	(22,265)	(174,265)
Total finance costs	**(4,585,435)**	**(2,706,964)**	**(7,292,399)**
Net financial result	**(40,810)**	**3,513,355**	**(3,554,165)**

Net financial result decreased by €3.6 million in the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease is mainly attributable to (a) higher foreign exchange losses, which increased by €1.7 million and (b) lower interest income on marketable securities, which decreased by €2.0 million. Foreign exchange income and expense is mainly derived from the translation of our U.S. dollar dominated cash, cash equivalents and marketable securities held by InflaRx GmbH. These amounts are translated into euros at the exchange rates prevailing on the reporting date. Any resulting translation differences are recognized in profit and loss.

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4.2 Liquidity and capital resources

Overview on Cash Requirements and Sources of Liquidity

Since inception, we have incurred significant operating losses due to our R&D activities and G&A costs. For the years ended December 31, 2021 and 2020, we incurred net losses of €45.6 million and

€34.0 million, respectively. Our primary uses of cash are for working capital, operating leases and general corporate purposes.

Our primary sources of funds are proceeds from the sale of our shares including our initial public offering and follow-on offerings. Additionally, in 2021, we received a grant from the German federal government under which we are eligible to receive up to 43.7 million through 2023. Historically, we have been able to fund our capital needs with cash from financing rounds and placement of shares. In 2021, we raised €2.8 million in net proceeds from an at-the-market transaction (2020: €9.0 million) and on February 25, 2021, we sold an aggregate of 15,000,000 common shares through a public offering. The transaction closed on March 1, 2021 with gross offering proceeds to the Group of $75.0 million (€62.2 million), before deducting $4.5 million (€3.7 million) in underwriting discounts and other offering expenses of $0.4 million (€0.3 million) (See "ITEM 4. INFORMATION ON THE COMPANY" for additional information on this public offering). Our working capital didn`t have any indebtedness in 2021 or in 2020.

Our cash and cash equivalents were €26.2 million as of December 31, 2021 (2020: €26.0 million).We also held marketable securities valued at €83.7 million (2020: €54.8 million) as of December 31, 2021. Our cash and cash equivalents primarily consist of cash in U.S. dollars and Euros and bank deposit accounts. Our marketable securities consist of quoted debt securities issued by financial institutions with investment grade credit ratings (BBB+ to AAA). Our cash is deposited at banks with equally high credit ratings as assessed by agencies such as S&P Global.

We expect to finance our operations and working capital needs in the near future from our cash and cash equivalents and marketable securities.

BMBF Grant

Effective October 1, 2021, we received a grant to support the development of our COVID-19 clinical development and mamnufacturing activities of up to € 43 million from the German federal government. In June 2021, we had applied for that grant as part of a special program established by the German federal government through the Federal Ministry of Education and Research ("*Bundesministerium für Bildung und Forschung*"), or BMBF, and the Federal German Ministry of Health ("*Bundesministerium für Gesundheit*"), or BMG, in May of 2021 to accelerate the research and development of urgently needed drugs against COVID-19. In addition to the further expansion and completion of the clinical development of vilobelimab for the treatment of severly ill COVID-19 patients, the grant is expected to be used for the establishment the commercial scale production of vilobelimab. Payments are contingent on reaching predefined milestones. Amounts incurred for these activities from October 1, 2021 are eligible for reimbursement of 80% of the incurred amounts. As of December 31, 2021, we had drawn down €8.3 million from this grant.

Cash flows - Comparison of the years ended December 31, 2021 and 2020

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2021 and 2020:

	2021	2020
Net cash used in operating activities	(39,936,750)	(36,527,661)
Net cash from investing activities	(25,950,885)	21,361,982
Net cash from/ (used in) financing activities	61,577,266	9,171,893
Cash and cash equivalents at the beginning of the period	25,968,681	33,131,280
Exchange (losses)/gains on cash and cash equivalents	**4,591,683**	**(1,168,813)**
Cash and cash equivalents at the end of the period	**26,249,995**	**25,968,681**

Net cash used in operating activities

The use of cash in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in components of working capital.

Net cash used in operating activities decreased to €39.9 million in the year ended December 31, 2021, from €36.5 million in the year ended December 31, 2020, mainly due to the decrease of research and development expenditures and lower personnel costs.

Net cash from investing activities

Net cash from investing activities decreased by €47.3 million in the year ended December 31, 2021 mainly due to lower proceeds from the maturity of marketable securities in 2021.

Net cash from/ (used in) financing activities

Net cash generated from financing activities in 2021 mainly relates to €58.2 million net proceeds from the issuance of common shares under a public offering, €2.8 million from an at-the-market share issuance program and the exercise of share options which resulted in proceeds to the Company in the amount of €1.0 million. These effects were offset partially by repayments of lease liabilities (2021: €0.4 million; 2020: €0.4 million).

Cash flows - Comparison of the years ended December 31, 2020 and 2019

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2020 and 2019:

	2020	2019
Net cash used in operating activities	(36,527,661)	(43,204,492)
Net cash from investing activities	21,361,982	20,341,554
Net cash from/ (used in) financing activities	9,171,893	(294,344)
Cash and cash equivalents at the beginning of the period	33,131,280	55,386,240
Exchange (losses)/gains on cash and cash equivalents	**(1,168,813)**	**902,321**
Cash and cash equivalents at the end of the period	**25,968,681**	**33,131,280**

Net cash used in operating activities

The use of cash in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in components of working capital.

Net cash used in operating activities decreased to €36.5 million in the year ended December 31, 2020, from €43.2 million in the year ended December 31, 2019, mainly due to the decrease of research and development expenditures and lower personnel costs.

Net cash from investing activities

Net cash from investing activities increased by €1.0 million in the year ended December 31, 2020 mainly due to higher proceeds from the maturity of marketable securities in 2020.

Net cash from/ (used in) financing activities

Net cash generated from financing activities in 2020 mainly relates to €9.0 million net proceeds from the issuance of common shares under an at-the-market share issuance program and the exercise of share options which resulted in proceeds to the Company in the amount of €0.5 million. These effects were offset partially by repayments of lease liabilities (2020: €0.4 million; 2019: €0.3 million).

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Contractual obligations and commitments

The table below sets forth our operating expenses and capital expenditures from contractual obligations as of December 31, 2021.

	Payments due by Period				
	Total	Less than 1 year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 years
			(in €)		
Unavoidable contractual CRO commitments and other contractual obligations under operating contracts or services:	23,437,512	20,997,148	2,440,364	—	—
Contractual lease obligations (incl. capitalized leases)	1,496,738	389,520	537,436	468,502	101,280
Total	**24,934,250**	**21,386,668**	**2,977,800**	**468,502**	**101,280**

Contingencies

We enter contracts in the normal course of business with CROs and clinical sites for the conduct of clinical trials, professional consultants for expert advice and other vendors for clinical supply manufacturing or other services. These contracts can usually be terminated with 30 to 180 days' notice. In addition to this minimum duration, these contracts require full payment for services already commenced. In the table above, the amounts for unavoidable contractual obligations assumes that the contracts were terminated on December 31, 2021 and will then continue to run for approximately 30 to 180 days.

Contractual lease obligations

Contractual lease obligations mainly consist of payments pursuant to non-cancellable lease agreements relating to our leases of office space. The lease term of our premises in Jena, Germany expires in December 2022. The lease term of our premises in Planegg-Martinsried, Germany expires in May 2027. The lease term of our premises in Ann Arbor, United States expires in April 2024.

Funding requirements for future Capital Expenditure

We believe that our existing cash and cash equivalents and financial assets will enable us to fund our operating expenses and capital expenditure requirements under our current business plan for at least the next 24 months.

We anticipate that our expenses will increase in the next years in connection with our ongoing activities. In particular, we anticipate that we will continue our Phase III clinical development program with vilobelimab in HS and and we will complete the Phase III part of the clinical trial in severe COVID-19. We will also continue our Phase II clinical trials in AAV and PG and explore Phase III clinical development in these indications. In addition we will continue our Phase II clinical development in cSCC. Additionally, we may pursue additional indications for vilobelimab as well. We also plan to complete preclinical development of INF904 and to initiate a Phase I clinical trial in 2022. We also plan to continue preclinical development of IFX002. We plan to initiate new research and preclinical development efforts. If clinical data is supportive, we may seek marketing approval for any product candidates that we successfully develop. Additionally, we will validate our manufacturing process to be able to apply for marketing authorization and to be able to provide commercial grade product. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to establishing sales, marketing, distribution and other commercial infrastructure to commercialize such products. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce, or eliminate our research and development programs or future commercialization efforts.

Until such time, if ever, that we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, royalty-based financings, future collaborations, strategic alliances, licensing arrangements and government grants. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the interest of our current shareholders will be diluted, and the terms of these securities may include voting or other rights that adversely affect your rights as a common shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. Money received through government grants may require us to provide our product, if approved by regulatory authorities, at unfavorable conditions in such jurisdictions.

5 LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings that arise in the ordinary course of business. We believe that the outcome of these proceedings, if determined adversely, will not have a material adverse effect on our financial position. During the period covered by the audited and approved financial statements contained herein, we have not been a party to or paid any damages in connection with litigation that has had a material adverse effect on our financial position. Any future litigation may result in substantial costs and be a distraction to management and our employees. No assurance can be given that future litigation will not have a material adverse effect on our financial position. For an additional discussion of certain risks associated with legal proceedings, see "2.2 Risk factors."

6 CONTROLS AND PROCEDURES

6.1 Disclosure controls and procedures

Our board of directors is responsible for reviewing the Company's risk management and control systems in relation to the financial reporting by the Company. The board of directors has charged its audit committee with the periodic oversight of these risk management and control systems, with reports being provided to the board of directors. Our audit committee assists the board of directors, among other things, in reviewing and discussing with the board of directors and the independent external auditor, the audit plan as well as our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports and (ii) the effectiveness of the Company's internal control over financial reporting.

Please refer to Section 2.3 which includes a detailed description of the Company's Risk Management System (RMS) as implemented in 2021.

Our success as a business depends on our ability to identify opportunities while assessing and maintaining an appropriate risk approach. Our risk management considers a variety of risks, including those related to our industry and business, those related to our ongoing relationship with our shareholders and those related to our intellectual property. Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to our senior management including, where appropriate, to our Chief Executive Officer and Chief Financial Officer.

As of December 31, 2021, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management to allow timely decisions regarding required disclosures.

On the basis of the reports and information provided to our board of directors and with reference to chapters 2.1, 2.2 and 2.3 Risk Control Measures, our board of directors is of the opinion that:

a. this report provides sufficient insight into any failings in the effectiveness of the Company's risk management and control systems;

b. the Company's risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain material inaccuracies;

c. based on the Company's state of affairs as at the date of this report (please also be referred to the statement in the first paragraph under "Funding requirements for future Capital Expenditure" in chapter 4.2), it is justified that the Company's financial reporting is prepared on a going concern basis; and

d. this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for a period of twelve months after the date of this report.

No material failings in, material changes to, and/or material improvements (in each case, if any) of the Company's risk management and control systems have been observed, made and/or planned, respectively, during the fiscal year to which this report relates.

March 23, 2022

/s/ Nicolas Fulpius

Chairman of the Board of Directors

/s/ Prof. Dr. Niels Riedemann

Executive member of the Board and CEO

7 CORPORATE GOVERNANCE

7.1 Dutch Corporate Governance Code (DCGC)

For the fiscal year to which this report relates, the DCGC applied to the Company. The text of the DCGC can be accessed at http://www.mccg.nl.

Except as set out below, during the fiscal year to which this report relates, the Company complied with the principles and best practice provisions of the DCGC, to the extent that these are directed at our board of directors.

Internal audit function (best practice provisions 1.3.1 and 1.3.2)

The DCGC recommends the establishment of an internal audit function. The Company has not established an internal audit department. Our board of directors is of the opinion that adequate alternative measures have been taken in the form of the Company's risk management and control systems, as outlined elsewhere in this report, and that it is presently not necessary to establish an internal audit function. The internal audit activities are performed by management and the audit committee under supervision of the non-executive directors.

Committee chairmanship (best practice provision 2.3.4)

The DCGC recommends that the audit committee or the remuneration committee should not be chaired by the chairman of the board or by a former member of the management board of the Company. Given the current composition of our board of directors, the independence of our directors and their qualifications (as well as the rules applicable to the Company with respect to the composition of our board of directors and its committees), all committees of our board of directors are chaired by Mr. Fulpius, who is also the chairman of our board of directors. Our board of directors regularly evaluates its composition and that of its committees.

Vice chairman (best practice provision 2.3.7)

The DCGC recommends that a vice chairman should deputize for the chairman when the occasion arises. Given the current organization of the Company, our board of directors has not appointed a vice chairman (as required by 2.3.7). Our board of directors is of the opinion that the tasks and duties of the chairman will sufficiently be done by the other non-executive directors. If the Company continues to grow, additional positions within the Board, such as a vice-chairman, may be considered.

Company secretary (best practice provision 2.3.10)

The DCGC recommends that the board of directors should be supported by a company secretary appointed by the executive directors with approval of non-executive directors. The Company has not appointed a company secretary in the meaning of 2.3.10, although the board of directors is supported by the Head of Legal Affairs of the Company for selected items including support of the chairman in administrational tasks.

Compensation (best practice provisions 3.1.2, 3.2.3, 3.3.2, 3.3.3 and 3.4.1)

For as long as the United States is the trading jurisdiction of our common shares, and in order to further support our ability to attract and retain the right highly qualified candidates for our board of directors:

- options awarded to our executive directors as part of their compensation could (subject to the terms of the option awards) vest and become exercisable during the first three years after the date of grant;

- our directors may generally sell our common shares held by them at any point in time, subject to applicable law, Company policy and applicable lock-up arrangements;
- our non-executive directors may be granted compensation in the form of shares, options and/or other equity-based compensation; and
- our executive directors may be entitled to a severance payment in excess of their respective annual base salaries. The maximum severance payments applicable (a) to our CEO equals 1.5 times of the fixed gross yearly base compensation, and (b) to our CSO equals to 1.5 times of the fixed gross yearly base compensation and a pro-rata portion of the short-term incentive bonus payment for the year of termination.

Though individual and Company performance are considered when granting any variable pay, no pre-defined measurable performance criteria apply, and no scenario analyses have been performed in relation to variable pay..

Majority requirements for dismissal and overruling binding nominations (best practice provision 4.3.3)

The DCGC recommends that (i) the general meeting can pass a resolution overruling a binding nomination by the board by simple majority, representing no more than one-third of the issued share capital and (ii) the general meeting of shareholders can pass a resolution to dismiss a member of the board by simple majority, representing no more than one-third of the issued share capital. Our directors are appointed by our general meeting of shareholders upon the binding nomination by our board of directors. Our general meeting of shareholders may only overrule the binding nomination by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. In addition, except if proposed by our board of directors, our directors may be suspended or dismissed by our general meeting of shareholders at any time by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. The possibility to convene a new general meeting of shareholders as referred to in Section 2:120(3) DCC in respect of these matters has been excluded in the Company's Articles of Association. We believe that these provisions support the continuity of the Company and its business and that those provisions, therefore, are in the best interests of our shareholders and our other stakeholders.

7.2 Code of ethics and other corporate governance practices

The Company has adopted a code of ethics, which explicitly incorporates and refers to core values of the Company, being honesty, accountability, integrity, professionalism and fairness. The text of the Company's code of ethics can be accessed at https://www.inflarx.de/Home/Investors/Corporate-Governance.html. The Company does not voluntarily apply other formal codes of conduct or corporate governance practices, except that the Company implemented various internal guidelines regarding compliance practices such as an insider trading policy.

7.3 Risk management and control systems

See chapters 2.3 and 6.1 of this report for an overview of the main characteristics of the Company's risk management and control systems relating to the process of financial reporting by the Company and the Company's subsidiaries whose financial information is included in the Consolidated Financial Statements.

7.4 General meeting of shareholders

7.4.1 Functioning of our general meeting of shareholders

Annually, at least one general meeting of shareholders of the Company must be held. This annual general meeting must be held within six months after the end of the Company's fiscal year. A general meeting of shareholders must also be held within three months after our board of directors has decided that it is likely that the Company's equity has decreased to or below 50% of its paid up and called up share capital. In addition, without prejudice to the relevant best practice provisions of the DCGC with respect to invoking a 'response period', a general meeting of shareholders must be held when requested by one or more shareholders and/or others with meeting rights under Dutch law collectively representing at least 10% of the Company's issued share capital, provided that certain criteria are met. Any additional general meeting of shareholders shall be convened whenever our board of directors would so decide. Each general meeting of shareholders must be held in Amsterdam, Arnhem, The Hague, Rotterdam, Schiphol (Haarlemmermeer) or Utrecht.

For purposes of determining who have voting rights and/or meeting rights under Dutch law at a general meeting of shareholders, our board of directors may set a record date. The record date, if set, shall be the 28th day prior to that of the general meeting of shareholders. Those who have voting rights and/or meeting rights under Dutch law on the record date and are recorded as such in one or more registers designated by our board of directors shall be considered to have those rights at the general meeting of shareholders, irrespective of any changes in the composition of the shareholder base between the record date and the date of the meeting. Our Articles of Association require shareholders and others with meeting rights under Dutch law to notify the Company of their identity and their intention to attend our general meeting of shareholders. This notice must be received by the Company ultimately on the seventh day prior to our general meeting of shareholders, unless indicated otherwise when the meeting is convened.

7.4.2 Powers of our general meeting of shareholders

All powers that do not vest in our board of directors pursuant to applicable law, our Articles of Association or otherwise, vest in our general meeting of shareholders. The main powers of our general meeting of shareholders include, subject in each case to the applicable provisions in our Articles of Association:

a. the appointment, suspension and dismissal of our directors;

b. the approval of certain resolutions of our board of directors concerning a material change to the identity or the character of the Company or its business;

c. the reduction of the Company's issued share capital through a decrease of the nominal value, or cancellation, of shares in its capital;

d. the adoption of the Company's statutory annual accounts;

e. the appointment of the Dutch independent auditor to examine the Company's statutory annual accounts;

f. amendments to the Company's Articles of Association;

g. approving a merger or demerger by the Company, without prejudice to the authority of our board of directors to resolve on certain types of mergers and demergers if certain requirements are met; and

h. the dissolution of the Company.

In addition, our general meeting of shareholders has the right, and our board of directors must provide, any information reasonably requested by our general meeting of shareholders, unless this would be contrary to an overriding interest of the Company.

7.4.3 Shareholder rights

Each share in the Company's capital, irrespective of its class, carries one vote. Shareholders, irrespective of whether or not they have voting rights, have meeting rights under Dutch law (including the right to attend and address our general meeting of shareholders, subject to the concept of a record date as described in Section 7.4.1 of this report). Furthermore, each share in the Company's capital carries an entitlement to dividends and other distributions as set forth in our Articles of Association. Pursuant to our Articles of Association, any such dividend or other distribution shall be payable on such date as determined by our board of directors and our board of directors may also set a record date for determining who are entitled to receive any such dividend or other distribution (irrespective of subsequent changes in the shareholder base). The record date for dividends and other distributions shall not be earlier than the date on which the dividend or other distribution is announced. In addition, shareholders have those rights awarded to them by applicable law.

7.5 Board of directors

The Company has a one-tier board, consisting of executive directors and non-executive directors. Our executive directors are charged primarily with the Company's day-to-day business and operations and the implementation of the Company's strategy. Our non-executive directors are charged primarily with the supervision of the performance of the duties of our board of directors. Each director is charged with all tasks and duties of our board of directors that are not delegated to one or more other specific directors by virtue of Dutch law, our Articles of Association or any arrangement catered for therein (e.g., the internal rules of our board of directors). In performing their duties, our directors shall be guided by the interests of the Company and of the business connected with it.

Our executive directors have developed a view on long-term value creation by the Company and have formulated a strategy consistent with that view (please see chapter 3.2 *Our strategy*). The non-executive directors have been actively engaged at an early stage in formulating the Company's strategy and supervise the manner in which the strategy is implemented. We intend to leverage our expertise within the complement field as well as our proprietary technology to sustain our lead in the anti-C5a space by developing a diverse pipeline focused on complement-mediated autoimmune and inflammatory diseases with high unmet need.

As at December 31, 2021, our board of directors was composed as follows:

Name and age	Gender	Nationality	Date of initial appointment	Expiration of current term of office	Participation rate
Nicolas Fulpius (48)***	Male	Swiss	8 November 2017	2022 AGM	100%
Niels Riedemann (50)**	Male	German	6 June 2017	2022 AGM	100%
Mark Kubler (47) ***	Male	Swiss	8 November 2017	2024 AGM	100%
Renfeng Guo (51)**	Male	American	8 November 2017	2022 AGM	100%
Richard Brudnick (65) ***	Male	American	23 May 2019	2022 AGM	100%
Anthony Gibney (51) **	Male	American	19 May 2021	2024 AGM	100%

* Executive director
** Non-executive director

Ms. Katrin Uschmann did not stand for re-election as member of the Board at the Annual General Meeting on May 19, 2021. On May 19, 2021, Mr. Anthony Gibney was elected as Member of the

Board and to the Audit Committee. On September 13, 2021, Ms. Lina Ma resigned as Member of the Board.

Nicolas Fulpius, Chairman. Mr. Fulpius is one of our co-founders and has served as a director and chairman of our Board since 2007. He has served as Chief Executive Officer at Ansam Group since 2020, as Chief Digital Officer for Swisscom Cloud Lab and for Swisscom Schweiz AG since 2015 and is member of the Venture Investment Committee of the Swisscom Venture Funds. Previously he was Chief Executive Officer and Shareholder of Veltigroup SA from 2010 to 2015. Prior to that role, he was a partner and shareholder in Affentrager Associates from 2003 to 2010, Investment Director and shareholder in Ultreia Capital from 2002 to 2006 and an Investment Manager at Lombard Odier from 1998 to 2002 for the Immunology Fund. He has served as member of the board of Romande Energie Holding since 2021, as chairman of the board of Ansam Group Holding SA since 2021 and of Swisscom Digital Technologies from 2016 until 2017 as well as Affentrager Associates AG since 2006 and CIMA Corporate Investment Management Affentrager Holding AG since 2006. He previously served on the boards of Swisscom Digital Technology S.A., Veltigroup and related companies (LANexpert S.A., insentia S.A., ITS Information Technologie Services S.A., epyx S.A.), Selfrag SA, SIRS-Lab GmbH, Dunes Technologies SA among others. He holds an M.S. in Management Science and Engineering from Stanford University and the Swiss equivalent of an MBA from St. Gall University.

Mark Kubler. Mr. Kubler has served as a director on our board since 2015. Mr. Kubler has been a partner with the GIG Ltd., a venture capital advisory firm with offices in Switzerland and Malta, since 2012. He previously served on the boards of WWM AG and Jobydu AG, each based in Switzerland. Mr. Kubler was a managing director and corporate secretary of a private equity holding company from 2003 to 2010. Before 2003, he held various roles in international investment banks and boutiques. Mr. Kubler has a master's degree in business and economics, as well as a master's degree in law from the University of St. Gallen, in Switzerland.

Richard Brudnick. Mr. Brudnick has been a director on our board since 2019. Mr. Brudnick currently serves as Chief Business Officer for Codiak BioSciences, a leader in the field of exosome therapeutics since June 2018. Prior to joining Codiak, Mr. Brudnick wasco-founder and Executive Vice President of Business Development at Bioverativ, Inc., from 2016 until 2018. From 2001 to 2016, Mr. Brudnick held various roles of increasing responsibility at Biogen, Inc. including Senior Vice President of Corporate Development. & StrategyHe serves as member of the board of Tamarix Therapeutics since 2021 and of the NYSE-listed Volition Rx also since 2021. Mr. Brudnick graduated from Massachusetts Institute of Technology with an SB and he also graduated from the Sloan School of Management with an MBA.

Anthoney Gibney. Tony Gibney is currently Chief Business and Strategy Officer at Iveric Bio, overseeing the business development and corporate strategy for the retina-focused, biotechnology company. Prior to Iveric, Mr. Gibney served as the CFO and CBO at FogPharma, overseeing and driving the business development and finance functions of the company. Mr. Gibney served as the Executive Vice President and Chief Business Officer of Achillion Pharmaceuticals, Inc., where he was responsible for corporate and portfolio strategy, business development and corporate communications and led the successful sale of Achillion to Alexion in 2020. Before Achillion, Tony Gibney was a life sciences-focused investment banker for 24 years. From 2009 through 2017, he served as a managing director and co-head of the biotechnology investment team for Leerink Partners LLC, where he was a senior leader of Leerink's biopharmaceutical investment banking franchise. From 1999 to 2009, he worked as a managing director at Merrill Lynch Inc. and executed a variety of significant financing and M&A transactions for various biotechnology companies. From 1993 to 1999, Mr. Gibney was an investment banker at Lehman Brothers in the firm's Healthcare Investment Banking Group. He graduated with distinction from Yale University in 1993 with a B.A. in History and Economics.

Niels Riedemann, Chief Executive Officer. Prof. Riedemann has over 15 years of experience in the biotech industry and drug development as well as over 20 years of experience in complement immunology research. He founded InflaRx in 2007 and has served as Chief Executive Officer since inception of the company. He has been instrumental in and led numerous private and public financing rounds

of the company and has been the responsible lead for its Nasdaq IPO in 2017. He is named inventor on several internationally granted core patents of InflaRx. As physician he has been appointed Vice Director ("Leitender Oberarzt") of Intensive Care Medicine, and he has led a 50-bed University ICU unit for over 6 years at Friedrich Schiller University, Jena, Germany until 2015. Before that, he received his board certification as General Surgeon upon completion of his surgical fellowship at MHH (Hannover Medical School, Germany) in 2007 where he also received his habilitation (equivalent to Ph.D.) and where he still holds an Adjunct Professorship (APL Professor) He spent three years as postdoctoral research fellow at the University of Michigan, USA until 2003. He received his medical training at Albert Ludwig University (ALU), Freiburg, Germany, and Stanford University, USA and graduated as Dr. med. (equivalent toM.D..)from ALU in 1998. His research has been awarded with several national and international awards. He has received extensive extra-mural funding and published over 60 peer reviewed scientific publications in highly ranked journals. He has served as a member on a Board of Directors and a Scientific Advisory Board of two large scientific governmental funded programs. He currently serves as Co-Chair of the Health Politics working group of Bio-Deutschlandd and he serves as member of the board of trustees for the German Sepsis Foundation.

Renfeng Guo, Chief Scientific Officer. Professor Guo is one of our co-founders and has served as our Chief Scientific Officer since 2007. Prior to joining us, he served as a faculty member of the University of Michigan since 2001, where he holds a position as Adjunct Research Associate Professor. Professor Guo received his medical degree from Norman Bethune Medical School in China and he did his post-doctoral training in immunology at University of Michigan.

All of our non-executive directors are independent within the meaning of the DCGC.

7.6 Committees

7.6.1 General

Our board of directors has established an audit committee, a compensation committee and a nomination and corporate governance committee. Each committee operates pursuant to its charter.

As at December 31, 2021, the committees were composed as follows:

Name	Audit committee meetings (and participation rate)	Compensation Committee meetings (and participation rate)	Nomination and corporate governance committee meetings (and participation rate)
Nicolas Fulpius	8* (100%)	1* (100%)	1* (100%)
Mark Kubler	8 (100%)	1 (100%)	1 (100%)
Richard Brudnick	8 (100%)	n.a.	n.a.
Anthony Gibney**	4 (100%)	n.a.	n.a.

* Chairman **since his nomination to the Committee

7.6.2 Audit committee

The responsibilities of our audit committee include:

- recommending the appointment of the independent auditor to the general meeting of shareholders;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full supervisory board on at least an annual basis;

- reviewing and discussing with the board of directors and the independent auditor the audit plan as well as our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports;

- reviewing our compliance with laws and regulations, including major legal and regulatory initiatives and also reviewing any major litigation or investigations against us that may have a material impact on our financial statements;

- reviewing internal audit results, including the effectiveness of the design and operation of our internal controls;

- reviewing the operation of and our compliance with our code of ethics; and

- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy and reviewing potential conflicts of interest involving our directors.

- During the fiscal year to which this report relates, our audit committee met eight times in order to carry out its responsibilities. The main items discussed at those meetings related to annual and quarterly financial statements, budgetary planning, financial forecast information, development of R&D projects, risk management, SOX-404 oversight and external auditor report & engagement.

7.6.3 Compensation committee

The responsibilities of our compensation committee include:

- identifying, reviewing and approving corporate goals and objectives relevant to compensation of our executive officers and directors;

- analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of our executive officers;

- determining any long-term incentive component of each executive officer's compensation in line with the compensation policy and reviewing our executive officer compensation and benefits policies generally;

- preparing periodic compensation reports for our board of directors;

- reviewing and assessing risks arising from our employee compensation policies and practices and whether any such risks are reasonably likely to have a material adverse effect on us; and

- retaining or obtaining advice from a compensation consultant, legal counsel or other advisor as the compensation committee deems necessary or appropriate to carry out its responsibilities.

- During the fiscal year to which this report relates, our compensation committee met once in order to carry out its responsibilities. The main items discussed at those meetings related to the review of compensation levels in the industry and to compensation of our directors and executive officers.

7.6.4 Nomination and corporate governance committee

The responsibilities of our nomination and corporate governance committee include:

- preparing and reviewing selection criteria and appointment procedures for our board of directors;

- reviewing the size and composition of our board of directors and submitting proposals for the composition profile of our board of directors;
- leading the board of directors in self-evaluation to determine whether it and its committees are functioning effectively;
- preparing and reviewing a plan for succession of directors; and
- submitting proposals for the appointment or reappointment of directors.

During the fiscal year to which this report relates, our nomination and corporate governance committee met once in order to carry out its responsibilities. The main items discussed at those meetings related to the nomination of board and committee members and to the periodic review and adjustments of governance rules.

7.7 Evaluation

During the financial year to which this report relates, our board of directors has evaluated its own functioning, the functioning of its committees and that of the individual members of the board of directors on the basis of self-evaluation form distributed to, and completed by, the directors. As part of these evaluations, the board of directors has considered (i) substantive aspects, mutual interaction and the interaction between the non-executive directors and the executive directors, (ii) events that occurred in practice from which lessons may be learned and (iii) the desired profile, composition, competencies and expertise of the board of directors. These evaluations are intended to facilitate an examination and discussion by the board of directors of its effectiveness and potential areas for improvement. On the basis of these evaluations, the board of directors has concluded that it is functioning properly. The board of directors further believes that its committees have functioned well in carrying out their duties.

7.8 Diversity

Our Board of Directors resolved a Diversity Policy on December 15, 2021, which is published on the Company's website. This policy sets out our targets relating to diversity in the composition of the Board of Directors. We believe that diversity encompasses acceptance and respect, recognizing that each individual is unique. We are committed to supporting, valuing and leveraging diversity in the composition of the Board of Directors We are committed to promoting gender diversity in the Board of Directors. This includes, amongst others, the objectives of (i) at least one female member for as long as the Board of Directors comprises of not more than six members or (ii) at least two female members for as long as the Board comprises of at least seven and not more than nine members..

The Company believes that it is important for our board of directors to represent a diverse composite mix of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints. The Company seeks to combine the skills and experience of long-standing members of our board of directors with the fresh perspectives, insights, skills and experiences of new members. To further increase the range of viewpoints, perspectives, talents and experience within our board of directors, the Company strives for a mix of ages in the composition of those bodies, but also does not set a specific target in this respect. Th Company recognizes and welcomes the value of diversity with respect to race, ethnicity, nationality, sexual orientation and other important cultural differences. The Company is committed to seeking broad diversity in the composition of our board of directors and will consider these attributes when evaluating new candidates in the best interests of the Company and its stakeholders. In terms of experience and expertise, the Company intends for our board of directors to be composed of individuals who are knowledgeable in one or more specific areas detailed in the Company's diversity policy.

The Company believes that the composition of its board of directors is such, that the Company's diversity objectives, as outlined above, have been achieved in the financial year to which this board report relates. As at 31 December 2021, the composition of the board of directors does not meet the Company's diversity targets in term of gender. Until May 19, 2021, the Board of Directors consisting out of seven members included two female members. With Ms. Katrin Uschmann not standing for re-election as member of the Board at the Annual General Meeting on May 19, 2021 and with Ms. Lina Ma resigning as Member of the Board effective September 13, 2021, the Board of Directors consisting out of six members from September 13, 2021, did not include a female member. As a consequence, as of March 23, 2022, the self-set goal of at least one female member in the Board of Directors comprising of six members is not reached. We will continue to report on its implementation in achieving the self-defined target proportions [4]

[4] On 28 September 2021, the act to achieve a more balanced male-female ratio on management and supervisory boards (35 628) was adopted by the Dutch Upper House. To encourage gender diversity, the bill provides for the introduction of a gender quota for the supervisory [4] On

7.9 Corporate values and code of conduct

We have adopted a code of ethics (see chapter 7.2 of this report) applicable to all directors, managing directors and employees of InflaRx N.V. and its affiliates implementing our main corporate values, being honesty, accountability, integrity, professionalism and fairness. Our commitment to the highest level of ethical conduct should be reflected in all of the Company's business activities, including, but not limited to, relationships with employees, customers, suppliers, competitors, the government, the public and our shareholders. All of our employees, officers and directors must conduct themselves according to the language and spirit of the code of ethics and seek to avoid even the appearance of improper behavior. The code of ethics is available for all employees and is additionally published on the Company's website (www.inflarx.com). The Company strives for a culture of the "tone from the top". The board of directors measures the extent to which the code is complied with by the number of reports that are made in relation to the code of ethics. In the financial year to which this board report relates, no reports were made in relation to the code of ethics. Our board of directors has no reason to believe that the code of ethics would not be functioning effectively.

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8 COMPENSATION REPORT

8.1 Compensation policy

Pursuant to Section 2:135(1) DCC, our general meeting of shareholders has adopted a compensation policy. Our compensation policy is designed to (i) attract, retain and motivate directors with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business, (ii) drive strong business performance, promote accountability and incentivize our directors to achieve short and long-term performance targets with the objective of increasing the Company's equity value and contributing to the Company's strategy for long-term value creation, (iii) assure that the interests of our directors are closely aligned to those of the Company, its business and its stakeholders, and (iv) ensure the overall market competitiveness of the compensation packages which may be granted to our directors, while providing our board of directors sufficient flexibility to tailor the Company's compensation practices on a case-by-case basis, depending on the market conditions from time to time. We believe that this approach and philosophy benefits the realization of the Company's long-term objectives while keeping with the Company's risk profile.

8.2 Compensation of directors and senior management

The aggregate compensation, including benefits in kind, accrued or paid to our senior management with respect to the year ended December 31, 2021, for services in all capacities was €6,164,995. In 2021, we granted options to purchase 979,217 common shares to our senior management.

We have established a policy in respect of the remuneration of our directors in accordance with Dutch law. Such policy addresses the following topics: the fixed and variable components of the remuneration (if any), remuneration in the form of shares and severance payments. The policy for our board of directors was adopted and approved by the general meeting of shareholders prior to the consummation of our initial public offering. The board of directors determines the remuneration of the directors

28 September 2021, the act to achieve a more balanced male-female ratio on management and supervisory boards (35 628) was adopted by the Dutch Upper House. To encourage gender diversity, the bill provides for the introduction of a gender quota for the supervisory boards of listed companies and an appropriate and ambitious self-determined target for the supervisory boards, boards of directors and second-tier management of large NVs and BVs. The bill is expected to enter into force on 1 January 2022. An actual target number or percentage will not need to be determined until the Company meets the following criteria for consecutive two balance sheet dates: (i) a balance sheet total of more than €20 million, (ii) net turnover of more than €40 million and (iii) 250 or more employees on average for the financial year. The Company can set targets for the board and senior management separately, or as combined targets for the collective. Each year, within ten months from the close of the financial year, the Company must report on its progress to the Social Economic Council, in a specified format: the progress made towards the targets, the plan to reach the targets, the extent to which the goals set in the previous financial year have been achieved and the reasons for failure to meet any of these goals. Also, draft legislation is in the making which would oblige the Company to report these matters as part of its annual repor

in accordance with the compensation policy, with the understanding that executive directors will not participate in the decision-making process regarding the determination of the compensation of executive directors. Compensation schemes in the form of shares or rights to shares must be submitted by the board of directors to the general meeting for its approval. Any such proposal must set out at least the maximum number of shares or rights to shares to be granted to the directors and the criteria for granting or amendment.

As of December 31, 2021, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our senior managers or directors, and in 2021, our non-executive directors received €760,185 in total compensation, including benefits in kind, from us for services in such capacity. Furthermore in 2021, we granted options to purchase 155,219 common shares to our non-executive directors.

Pay Ratio

According to the methodology used in SEC`s Item 402 of Regulation S-K we have determined a pay ratio of 9.2 as of December 31, 2021 (9.8 as of December 2020). We have used the SEC guidance for pay ratio determination as we are listed on Nasdaq. The decrease in the pay ratio is the result of the recruitment of several highly qualified employees in 2021.

The ratio describes the relation between the CEO`s compensation and the compensation of median employee. Statutory charges and expenses for share-based compensation have not been included. The latter was omitted as share-based compensation is not a widely spread compensation feature in the Company or it`s subsidiaries. The median employee was determined by listing all annual salaries by size. The median divides the population in on half of employees that have a higher annual salary and the other with lower salaries. We calculated the median employee's total compensation for 2021 with annual total compensation of €93.7 thousand (2020 €82.4 thousand). This annual total compensation includes the annual base salary and 3% voluntary retirement benefit.

Management and director service agreements

We have entered into management services agreements with each of our executive directors that became effective upon the consummation of our initial public offering. The management services agreements contain a termination notice period for us, and the executive directors appointed as such by a general meeting of shareholders. All of the management services agreements provide that the executive director may be terminated in the event of an urgent cause (*dringende reden*) without advance notice. In the event that an executive director no longer serves as an executive director but remains employed in his role as an executive employee of the Company, the executive director will not be entitled to any contractual severance or termination payments. Rather, we will enter into an employment agreement with the executive director, which may include substantially similar compensation terms as provided under the management services agreements. The management services agreements contain post-termination restrictive covenants, including perpetual confidentiality, and post-termination non-competition and non-solicitation covenants.

In addition, we have entered into letter agreements with each of our non-executive directors which became effective upon the consummation of our initial public offering. The letter agreements may be terminated, without advance notice, if the non-executive director is removed from the board of directors, resigns from the board of directors or such director's term of office on the board of directors expires without his reappointment as a non-executive director. Additionally, each letter agreement provides for compensation, including an annual cash fee, an annual equity grant, a discretionary annual fee for membership on a committee of the board of directors, and a discretionary annual fee for acting as a chairperson of a committee of the board of directors. Also, the letter agreements contain a perpetual confidentiality covenant.

2016 option plan

Under the Stock Option Plan 2016 Terms and Conditions, or the 2016 Plan, we have granted rights to subscribe for our common shares to directors, senior management and key employees.

All outstanding option awards under the 2016 Plan automatically vested upon closing of our initial public offering.

In conjunction with the corporate reorganization undertaken prior to our initial public offering, all outstanding awards granted under the 2016 Plan or otherwise converted into awards exercisable for common shares of InflaRx N.V. and will be governed by the terms of the 2016 Plan.

2017 equity incentive plan

In conjunction with the closing of our initial public offering, we established a new omnibus plan, or the 2017 Plan, with the purpose of advancing the interests of our shareholders by enhancing our ability to attract, retain and motivate individuals who are expected to make important contributions to us. The 2017 Plan governs issuances of equity incentive awards from and after the closing of our initial public offering. The initial maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2017 Plan equals 2,341,097 common shares. On January 1, 2021 and on January 1 of each calendar year thereafter, an additional number of shares equal to 3% of the total outstanding common shares on December 31 of the immediately preceding year (or any lower number of shares as determined by the board of directors) will become available for issuance under equity incentive awards granted pursuant to the 2017 Plan.

Plan Administration. The 2017 Plan is administered by a committee appointed by the board of directors, which committee will consist of not less than three directors (the "plan committee").

Eligibility. Equity incentive awards may be granted to our employees, non-employee directors, consultants or other advisors, as well as holders of equity compensation awards granted by a company that may be acquired by us in the future.

Awards. Equity incentive awards under the 2017 Plan may be granted in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards or other share-based awards. Stock options and stock appreciation rights will have an exercise price determined by the plan committee but that is no less than fair market value of the underlying common shares on the date of grant.

Vesting. The vesting conditions for grants under the equity incentive awards under the 2017 Plan will be set forth in the applicable award documentation. However, subject to the acceleration provisions under certain circumstances described below, awards (other than replacement awards) may not vest in full prior to the first anniversary of the grant date, with the exception that up to five percent of the shares available for issuance under the 2017 Plan may provide for alternative vesting conditions.

Termination of Service and Change in Control. In the event of a participant's termination of employment, the plan committee may, in its discretion, determine the extent to which an equity incentive award may be exercised, settled, vested, paid or forfeited. In the event of a change in control of the company (as defined in the 2017 Plan), any then successor or surviving corporation may continue outstanding awards, or convert or substitute such awards for award or right with respect to the stock of the successor or surviving corporation, in which case, if a participant is terminated by the successor or surviving corporation without "cause" or for "good reason" (in each case, as defined in the 2017 Plan) within 24 months following the change in control, all equity incentive awards held by the participant will immediately vest. If any outstanding awards are not continued or converted following a change in control of the company, then such awards will immediately vest, and options and stock appreciation rights will become fully exercisable. In connection with a change of control, the plan committee may, in its discretion, take a number of other actions, including accelerating the vesting of any equity incentive award or terminating or cancelling any equity incentive award for cash payment.

2019 repricing of option plans

On July 3, 2019, the board approved an amendment of the 2016 Option Plan and the 2017 equity incentive plan. Following the amendment, the strike price of all vested and unvested options, other

than those held by persons who were not employees or directors at the time of the amendment, was reduced to $3.35 per share.

Please also see note 14 to the Company only financial statements regarding Remuneration of the Board of Directors, which forms part of this compensation report.

9 Related Party Transactions

Since January 1, 2021 we did not enter in related party transactions with any of our officers, directors and the holders of more than 5% of our common shares.

10 Protective Measures

Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law. Our governance arrangements include several provisions that may have the effect of making a takeover of our company more difficult or less attractive. In this respect, our general meeting of shareholders granted the right to the protective foundation to acquire preferred shares pursuant to the call option agreement entered into between us and such foundation. This call option under the call option agreement shall be continuous in nature and can be exercised repeatedly on multiple occasions.

If the protective foundation exercises the call option pursuant to the call option agreement, an amount of preferred shares up to 100% of our issued capital held by others than the protective foundation, minus one share, will be issued to the protective foundation. These preferred shares will be issued to the protective foundation under the obligation to pay up to 25% of their nominal value upon issuance. In order for the protective foundation to finance the issue price in relation to the preferred shares, the protective foundation is expected to enter into a finance arrangement with a bank. As an alternative to securing financing with a bank, subject to applicable restrictions under Dutch law, the call option agreement provides that the protective foundation may request us to provide, or cause our subsidiaries to provide, sufficient funding to the protective foundation to enable it to satisfy the payment obligation (or part thereof) in cash and/or to charge an amount equal to the payment obligation (or part thereof) against our profits and/or reserves in satisfaction of such payment obligation.

The protective foundation's articles of association provide that it will promote and protect the interests of the company, the business connected with the company and the company's stakeholders from time to time, and repressing possible influences which could threaten the strategy, continuity, independence and/or identity of the company or the business connected with it, to such an extent that this could be considered to be damaging to the aforementioned interests. These influences may include a third party acquiring a significant percentage of our common shares, the announcement of an unsolicited public offer for our common shares, shareholder activism, other concentration of control over our common shares or any other form of undue pressure on us to alter our strategic policies. The protective foundation shall be structured to operate independently of us.

If the protective foundation were to exercise its call option, the preferred shares to be issued pursuant thereto would be issued against the obligation to pay up to 25% of their nominal value. The voting rights of our shares are based on nominal value and, as we expect our common shares to trade substantially in excess of nominal value, preferred shares issued at 25% of their nominal value can carry significant voting power for a substantially reduced price compared to the price of our common shares and thus can be used as a defensive measure. These preferred shares will have both a liquidation and dividend preference over our common shares and will accrue cash dividends at a pre-determined rate. The protective foundation would be expected to require us to cancel its preferred shares once the perceived threat to the company and its stakeholders has been removed or sufficiently mitigated or neutralized. However, subject to the same limitations described above, the protective foundation would continue to have the right to exercise the call option in the future in response to a new threat to the interests of us, our business and our stakeholders from time to time.

In addition, certain provisions of our Articles of Association may make it more difficult for a third party to acquire control of us or effect a change in our board of directors. These provisions include: a provision that our directors are appointed on the basis of a binding nomination prepared by our board of directors which can only be overruled by a two-thirds majority of votes cast representing more than 50% of our issued share capital; a provision that our directors may only be removed by the general meeting of shareholders by a two-thirds majority of votes cast representing more than 50% of our issued share capital (unless the removal is proposed by the board in which case a simple majority of the votes can be sufficient); and a requirement that certain matters, including an amendment of our Articles of Association, may only be brought to our shareholders for a vote upon a proposal by our board of directors.

INFLARX N.V.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

These financial statements are consolidated financial statements for the Group consisting of InflaRx N.V. and its subsidiaries. The financial statements are presented in Euro (€).

InflaRx N.V. is a company limited by shares, incorporated and domiciled in Amsterdam, The Netherlands. Its registered office and principal place of business is in Germany, Jena, Winzerlaer Str. 2.

All press releases, financial reports and other information are available in the investor's register on our website: www.inflarx.com

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Annual Consolidated Financial Statements

InflaRx N.V. and subsidiaries
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2021, 2020 and 2019

	Note	2021	2020	2019
		(in €, except for share data)		
Operating Expenses				
Research and development expenses	3.1	(35,697,935)	(25,684,140)	(44,582,136)
General and administrative expenses	3.2	(11,984,722)	(8,467,203)	(12,501,048)
Total Operating Expenses		**(47,682,657)**	**(34,151,343)**	**(57,083,184)**
Other income		54,221	221,748	400,253
Other expenses		(6,381)	(13,209)	(85,242)
Operating Result		**(47,634,816)**	**(33,942,804)**	**(56,768,173)**
Finance income		109,391	887,702	2,840,676
Finance expenses	3.4.1	(24,769)	(26,000)	(22,265)
Foreign exchange result	3.4.2	1,964,135	(776,512)	694,944
Other financial result	3.4.3	(44,000)	(126,000)	—
Income Taxes		—	—	—
Loss for the Period		**(45,630,059)**	**(33,983,614)**	**(53,254,817)**
Share Information	3.6			
Weighted average number of shares outstanding		41,629,974	27,064,902	26,004,519
Loss per share (basic/diluted)		(1.10)	(1.26)	(2.05)
Loss for the Period		**(45,630,059)**	**(33,983,614)**	**(53,254,817)**
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign currency		6,777,061	(5,954,019)	2,177,033
Total Comprehensive Loss		**(38,852,998)**	**(39,937,633)**	**(51,077,785)**

The accompanying notes are an integral part of these consolidated financial statements.

InflaRx N.V. and subsidiaries
Consolidated Statements of Financial Position as of December 31, 2021 and 2020

	Note	December 31, 2021	December 31, 2020
		(in €)	
ASSETS			
Non-current assets			
Property and equipment	4.1	274,373	408,263
Right-of-use assets	4.2	1,408,078	546,694
Intangible assets	4.3	235,216	350,183
Other assets	4.5	336,566	353,522
Financial assets	4.7	27,206,990	272,268
Total non-current assets		**29,461,224**	**1,930,930**
Current assets			
Current other assets	4.5	10,983,458	3,734,700
Income tax receivable		1,282,177	1,419,490
Financial assets	4.7	57,162,266	55,162,033
Cash and cash equivalents	4.8	26,249,995	25,968,681
Total current assets		**95,677,896**	**86,284,904**
TOTAL ASSETS		**125,139,120**	**88,215,834**
EQUITY AND LIABILITIES			
Equity			
Issued capital	4.9.1	5,304,452	3,387,410
Share premium	4.9.3	280,310,744	220,289,876
Other capital reserves	4.9.3	30,591,209	26,259,004
Accumulated deficit	4.9.3	(213,975,679)	(168,345,620)
Other components of equity	4.9.3	3,050,270	(3,726,791)
Total equity		**105,280,996**	**77,863,880**
Non-current liabilities			
Lease liabilities	4.4	1,066,354	220,525
Other liabilities		35,019	33,323
Total non-current liabilities		**1,101,373**	**253,847**
Current liabilities			
Trade and other payables	4.10	8,574,244	8,258,133
Liabilities from government grants received	4.11	8,300,000	—
Lease liabilities	4.4	366,171	338,516
Employee benefits		1,378,130	1,368,731
Other liabilities		138,206	117,727
Provisions		—	15,000
Total current liabilities		**18,756,751**	**10,098,107**
Total Liabilities		**19,858,124**	**10,351,954**
TOTAL EQUITY AND LIABILITIES		**125,139,120**	**88,215,834**

The accompanying notes are an integral part of these consolidated financial statements.

InflaRx N.V. and subsidiaries
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2020 and 2019

	Note	Shares outstanding	Issued capital	Share premium
			(in €)	
Balance as of January 1, 2019		**25,964,379**	**3,115,725**	**211,021,835**
Loss for the Period		—	—	—
Exchange differences on translation of foreign currency		—	—	—
Total Comprehensive Loss		**—**	**—**	**—**
Equity-settled share-based payments	3.6	—	—	—
Share options exercised		140,876	16,905	(15,229)
Balance as of December 31, 2019		**26,105,255**	**3,132,631**	**211,006,606**
Loss for the Period		—	—	—
Exchange differences on translation of foreign currency		—	—	—
Total Comprehensive Loss		**—**	**—**	**—**
Issuance of common shares	4.9	1,958,186	234,982	9,535,961
Transaction costs		—	—	(729,840)
Equity-settled share-based payments	3.6	—	—	—
Share options exercised		164,974	19,797	477,149
Balance as of December 31, 2020		**28,228,415**	**3,387,410**	**220,289,876**
Loss for the Period		—	—	—
Exchange differences on translation of foreign currency		—	—	—
Total Comprehensive Loss		**—**	**—**	**—**
Issuance of common shares	4.9	15,610,022	1,873,203	63,269,346
Transaction costs		—	—	(4,219,222)
Equity-settled share-based payments	3.6	—	—	—
Share options exercised		365,326	43,839	970,744
Balance as of December 31, 2021		**44,203,763**	**5,304,452**	**280,310,744**

The accompanying notes are an integral part of these consolidated financial statements.

InflaRx N.V. and subsidiaries
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2020 and – continued

	Note	Other capital reserves	Accumulated deficit	Other compo-nents of equity	Total equity
			(in €)		
Balance as of January 1, 2019		**18,310,003**	**(81,107,188)**	**50,196**	**151,390,571**
Loss for the Period		—	(53,254,817)	—	(53,254,817)
Exchange differences on translation of foreign currency		—	—	2,177,033	2,177,033
Total Comprehensive Loss		**—**	**(53,254,817)**	**2,177,033**	**(51,077,784)**
Equity-settled share-based payments	3.6	6,832,210	—	—	6,832,210
Share options exercised		—	—	—	1,676
Balance as of December 31, 2019		**25,142,213**	**(134,362,006)**	**2,227,228**	**107,146,673**
Loss for the Period		—	(33,983,614)	—	(33,983,614)
Exchange differences on translation of foreign currency		—	—	(5,954,019)	(5,954,019)
Total Comprehensive Loss		**—**	**(33,983,614)**	**(5,954,019)**	**(39,937,633)**
Issuance of common shares	4.9	—	—	—	9,770,943
Transaction costs		—	—	—	(729,840)
Equity-settled share-based payments	3.6	1,116,791	—	—	1,116,791
Share options exercised		—	—	—	496,946
Balance as of December 31, 2020		**26,259,004**	**(168,345,620)**	**(3,726,791)**	**77,863,880**
Loss for the Period		—	(45,630,059)	—	(45,630,059)
Exchange differences on translation of foreign currency		—	—	6,777,061	6,777,061
Total Comprehensive Loss		**—**	**(45,630,059)**	**6,777,061**	**(38,852,998)**
Issuance of common shares		—	—	—	65,142,549
Transaction costs		—	—	—	(4,219,222)
Equity-settled share-based payments	3.6	4,332,205	—	—	4,332,205
Share options exercised		—	—	—	1,014,583
Balance as of December 31, 2021		**30,591,209**	**(213,975,679)**	**3,050,270**	**105,280,996**

The accompanying notes are an integral part of these consolidated financial statements.

InflaRx N.V. and subsidiaries
Consolidated Statements of Cash Flows for the Years ended December 31, 2021, 2020 and 2019

	Note	2021	2020	2019
			(in €)	
Operating activities				
Loss for the Period		(45,630,059)	(33,983,614)	(53,254,817)
Adjustments for:				
Depreciation & amortization of property and equipment, right-of-use assets and intangible assets		669,434	712,713	663,166
Net finance income	3.4	(2,004,757)	40,810	(3,513,355)
Share-based payment expense	3.6	4,332,205	1,116,791	6,832,210
Net foreign exchange differences		111,606	(247,322)	(368,477)
Other non-cash adjustments		—	3,436	60,628
Changes in:				
Other assets		(7,094,467)	(1,554,611)	(2,364,399)
Employee benefits		(3,290)	355,545	235,500
Other liabilities		19,863	8,960	(209,948)
Liabilities from government grants received		8,300,000	—	—
Trade and other payables		316,112	(4,155,529)	5,734,795
Interest received		1,070,235	1,201,547	3,001,109
Interest paid		(23,633)	(26,387)	(20,903)
Net cash used in operating activities		**(39,936,750)**	**(36,527,661)**	**(43,204,492)**
Investing activities				
Purchase of intangible assets and property and equipment		(37,778)	(94,189)	(594,889)
Purchase of current and non current financial assets		(97,516,417)	(101,600,176)	(82,622,952)
Proceeds from the maturity of current financial assets		71,603,310	123,056,347	103,559,395
Net cash from/ (used in) investing activities		**(25,950,885)**	**21,361,982**	**20,341,554**
Financing activities				
Proceeds from issuance of common shares	4.9	65,142,549	9,770,944	—
Transaction costs from issuance of common shares		(4,219,222)	(729,841)	—
Proceeds from exercise of share options	3.6	1,014,583	496,946	1,676
Repayment of lease liabilities		(360,644)	(366,156)	(296,020)
Net cash from/ (used in) financing activities		**61,577,266**	**9,171,893**	**(294,344)**
Net increase/(decrease) in cash and cash equivalents		**(4,310,369)**	**(5,993,786)**	**(23,157,282)**
Effect of exchange rate changes on cash and cash equivalents		4,591,683	(1,168,813)	902,321
Cash and cash equivalents at beginning of period		25,968,681	33,131,280	55,386,240
Cash and cash equivalents at end of period	4.8.	**26,249,995**	**25,968,681**	**33,131,280**

The accompanying notes are an integral part of these consolidated financial statements.

InflaRx N.V. and subsidiaries
Notes to the Consolidated Financial Statements

1. Corporate Information

The consolidated financial statements of InflaRx N.V. and its subsidiaries (collectively, the 'Group') for the year ended December 31, 2021 were authorized for issue in accordance with a resolution of the Board of Directors on March 23, 2022. InflaRx N.V. (the 'Company') is a Dutch public company with limited liability (naamloze vennootschap) with its corporate seat in Amsterdam, The Netherlands, and is registered in the Commercial Register of The Netherlands Chamber of Commerce Business Register under CCI number 68904312. The Company's registered office is at Winzerlaer Straße 2 in 07745 Jena, Germany. Since November 10, 2017, InflaRx N.V.'s common shares have been listed on the NASDAQ Global Select Market under the symbol "IFRX".

InflaRx N.V. and its subsidiaries are a clinical-stage biopharmaceutical Group focused on applying its proprietary anti-C5a technology to discover and develop first-in-class, potent and specific inhibitors of the complement activation factor known as C5a.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated from the date control ceases. The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

The Group's subsidiaries at December 31, 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of common shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company.

Name	Place of business/ country of incorporation	Functional currency	Ownership interest held by the Company 2021	2020	Principal activities
InflaRx GmbH	Germany	EUR	100%	100%	Principal operating subsidiary, biopharmaceutical company
InflaRx Pharmaceutical Inc.	U.S.	USD	100%	100%	Subsidiary for basic research

2. Significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (herein 'IFRS').

The consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements of the Group comprise the Company and its wholly-owned subsidiaries InflaRx GmbH, and InflaRx Pharmaceutical Inc. The consolidated financial statements are presented in Euro (€). The presentation currency of the Group is the €, as the functional currency of the largest operating company, InflaRx GmbH, continues to be the €. The functional currency of InflaRx N.V. and InflaRx Pharmaceutical Inc is USD ($) as most of their income and expenses occur in $. All financial information presented in € has been rounded to the nearest Euro, unless stated otherwise.

2.2. Summary of significant accounting policies

This section describes significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2.1. New and amended standards adopted by the Group

The below listed amendments and interpretations apply for the first time in 2021, but do not have a material impact on the consolidated financial statements of the Group:

- Interest Rate Benchmark Reform — Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-related Rent Concessions, Amendment to IFRS 16

2.2.2. New standard not yet adopted

The following amendments will be adopted effective January 1, 2022 and are not expected to have a material impact on the consolidated financial statements of the Group:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use- Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract –Amendments to IAS 37
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent'

The following standards issued will be adopted in a future period and the potential impact, if any, they will have on the Group's consolidated financial statements is being assessed:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

2.2.3. Current and non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

Current assets include assets that are sold, consumed or realized as part of the normal operating cycle (operating cycle is assumed to be 12 months), or cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

Current liabilities, such as trade payables, lease liabilities or employee benefits with a term of up to 12 months, and payables for operating costs or social security charges, are part of the working capital used in the Company's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period. All other liabilities are classified as non-current.

2.2.4. Foreign currency transactions

Transactions in a foreign currency are initially translated into the respective functional currency using the spot rate prevailing on the dates of the transaction. Monetary items which are not denominated in the functional currency are subsequently translated using the rate applicable at the end of the period. The resulting currency gains and losses are recognized directly in profit or loss.

On consolidation, the assets and liabilities of operations in a currency other than Euro (the presentation currency of the Company's) are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of operations are translated with monthly average exchange rates during the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss. OCI is disclosed as 'other components of equity' in consolidated statements of financial position.

2.2.5. Grants from government and similar bodies

The Group receives grants from government agencies and similar bodies for the active participation in specific research and development projects. The grants are recognized when there is reasonable assurance that the grant will be received and all grant conditions will be met. If grant funds are received prior to qualifying expenses being incurred or assets purchased or prior to all grant conditions have been met, such amounts are recorded as a liability in other liabilities. If the funds reimburse expenses, the liability is amortized into other operating income in the period in which the corresponding expenses are incurred (or, for expenses incurred prior to all grant conditions being met, in the period in which reasonable assurance that all grant conditions will be met is attained). According to the terms of the grants, grantors generally have the right to audit qualifying expenses submitted by the Group up to five years after concluding the project sponsored by the government.

During 2021, the Company was awarded a grant to fund parts of the clinical development and manufacturing related activities of vilobelimab for treatment of severe COVID-19 patients from the German federal government, in the amount of up to €43.7 million. In June 2021, InflaRx had applied for that grant as part of a special program established by the German federal government through the Federal Ministry of Education and Research ("*Bundesministerium für Bildung und Forschung*"), or BMBF, and the Federal German Ministry of Health ("*Bundesministerium für Gesundheit*"), or BMG, in May of 2021 to accelerate the research and development of urgently needed drugs against COVID-19. In addition to the further expansion and completion of the clinical development of vilobelimab for the treatment of severley ill COVID-19 patients, the grant is expected to be used for the establishment of the commercial scale production of vilobelimab. Payments are contingent on reaching predefined milestones. Expenses incurred from October 1, 2021 until June 30, 2023 are eligible for 80% reimbursement throughout the funding period, if certain funding conditions are met.

From this grant InflaRx received payments of EUR 8.3 million in 2021. IAS 20 permits recognition of income from government grants only when there is reasonable assurance the grants will be received and that the entity will comply with all the grant conditions. As the Company is currently in discussion with the agency administering the BMBF grant regarding the eligibility of certain expenses incurred and uncertainty exists as to whether these expenses incurred in 2021 comply with the conditions attached to the grant, as of December 31, 2021, Payments received have been deferred (and is presented within "Liabilities from government grants received") and no income from the grant has been recorded.

2.2.6. Notes to the cash flow statement, cash, and cash equivalents

The consolidated statements of cash flows have been prepared using the indirect method for cash flows from operating activities. The cash disclosed in the consolidated statements of cash flows is comprised of cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term bank deposits that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value with an original maturity of three month or less. Interest paid and received is included in the cash from operating activities.

2.2.7. Research and development expenses

Research and development expenses comprise third party services, wages and salaries, cost of materials, intellectual property related expenses, depreciation and amortization of relevant equipment and intangibles as well as overhead. Research and development expenses mainly consist of costs for clinical trials and manufacturing of the Company's clinical drug product; additionally, costs are incurred for pre-clinical activities as well as basic research activities.

Development expenses must be capitalized if the criteria of IAS 38 are met. In the periods presented, no development expenses were capitalized because management does not believe all the recognition criteria of IAS 38 had been met. This assessment is due to the general uncertainties in drug development and the unpredictability of regulatory requirements. Therefore, research expenditure and development expenditures are expensed when incurred.

2.2.8. Employee benefits

2.2.8.1. Short-term employee benefits

Liabilities for wages and salaries and cash bonuses are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee benefits in the consolidated statements of financial position. A liability is recognized, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.2.8.2. Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, including an estimate of forfeitures, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. For share-based payment awards with immediate vesting, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no gain or loss recognized for differences between expected and actual outcomes.

2.2.9. Lease arrangements

The Group leases various properties, laboratory and office equipment and cars. Rental contracts are typically made for fixed periods of one to three years but may have renewal options. The lease agreements do not impose any covenants, but leased assets may not be used as collateral for borrowing purposes. The Group applied IFRS 16 Leases for the first time starting January 1, 2019; previous periods were not adjusted retrospectively.

2.2.9.1. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. At December 31, 2021, the remaining useful lives of the Company's right-of-use assets range between 12 and 65 months. Right-of-use assets are subject to impairment.

2.2.9.2. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments which depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not

depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, since the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.2.9.3. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.2.9.4. Determining the lease term of contracts

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

The Group further determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The leases which currently also result in the capitalization of a right of use asset, do not include any renewal options. For future lease contracts with potential renewal options the Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In doing so, management would consider all relevant factors that create an economic incentive for it to exercise the renewal.

2.2.10. Interest income

Interest income is derived from interest-bearing financial assets, including cash equivalents. Interest income on cash and cash equivalents, financial assets at amortized cost calculated using the effective interest rate method is recognized in the consolidated statements of operations and comprehensive loss as part of finance income.

2.2.11. Intangible assets

Intangible assets mainly comprise purchased IT software. Intangible assets are initially measured at acquisition cost, including any directly attributable costs of preparing the asset for its intended use less accumulated amortization and accumulated impairment losses, if any. Amortization begins when an asset is available for use and amortization is calculated using the straight-line method to allocate cost over the estimated useful lives. The useful lives of intangible assets are reviewed at each reporting date. Software is amortized over three years. The effect of any adjustment to useful lives is recognized prospectively as a change of accounting estimate. The Group only owns intangible assets with a definite useful life.

2.2.12. Property and equipment

Laboratory and office equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred, because they do not constitute a separate asset.

Depreciation on laboratory and office equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Laboratory equipment: three to 13 years
- Office equipment: one to five years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' or 'other expenses' in the consolidated statements of operations and comprehensive loss.

2.2.13. Impairment of assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If there is any indication of impairment or if an annual impairment test is required, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the asset's fair value less costs of disposal and its value-in-use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined at the level of the cash-generating unit. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, any impairment loss previously recognized is reversed. The reversal may not exceed the carrying amount that would have been determined after amortization or depreciation had no impairment loss been recognized for the asset in prior periods. The amount of the reversal is recognized in profit or loss for the period.

There were no impairments or reversals of impairments in 2019, 2020 or 2021.

2.2.14. Financial assets and liabilities (financial instruments)

2.2.14.1. Definition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets include predominantly quoted fixed-interest debt securities. The financial liabilities comprise trade and other payables (incl. accrued liabilities from the R&D projects).

2.2.14.2. Criteria for the recognition and derecognition, initial measurement

In general purchases or sales of financial assets are recognized on the settlement date, i.e., the date that the Group renders or receives the counter performance (typically cash). The Group initially measures a financial asset at its fair value plus transaction costs.

The Group initially recognizes non-derivative financial liabilities on the date that they are originated at fair value net of directly attributable transaction costs. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

2.2.14.3. Subsequent measurement method

Considering the Group's business model for managing the financial assets, whose objective is to hold them in order to collect contractual cash flows, and their contractual cash flow characteristics, that are solely payments of principal and interest on the principal amount outstanding, the Group classifies the quoted debt securities with fixed interest rates as subsequently measured at amortized cost using the effective interest method (EIR). The financial assets are also subject to impairment.

The Group's financial liabilities are classified as subsequently measured at amortized cost which is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

An analysis of the carrying amounts from the consolidated statements of financial position by measurement category is disclosed under 'under '4.7 Financial assets and financial liabilities.'

2.2.14.4. Criteria for realization of income and expenses

Interest income is accrued using the relevant effective interest rate. Interest expense on liabilities, if any, is also accrued based on the effective interest rate.

Gains and losses on the disposal of financial instruments are recognized in full when all significant risks and rewards have been transferred. In the case of a partial transfer of risks and rewards, a distinction would be made as to whether control remains with the company or is transferred.

Impairment losses on financial assets are recognized in profit or loss. The Group recognizes an allowance for expected credit losses (ECLs) for the financial assets held, see Note '3.4 Net Financial Result'.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are generally recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For the quoted debt securities with fixed interest rates, which have high credit ratings and no significant increases in credit risk since initial recognition, the Group determines the exposure to credit default using CDS pricing information (i.e. credit default swap values) published by credit agencies and recognizes a 12-month ECL.

2.2.15. Fair Value Measurement

The Group does not measure any financial asset or liability at fair value. The carrying amount of all financial instruments approximates their fair value, with the exception of quoted debt securities which fair values are disclosed (see '4.7 Financial assets and financial liabilities').

When measuring the fair value of an asset or a liability, the Group would use observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1, quoted prices in active markets for identical assets or liabilities.
- Level 2, inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly (as prices) or indirectly (derived from prices).
- Level 3, inputs for instruments that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group would recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.2.16. Income tax

Income taxes comprise current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive loss.

2.2.16.1. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Expected tax payable or receivable on the taxable income or loss for the year, are calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In the periods presented; the Group did not incur income tax expense. Taxes withheld by banks and remitted to tax authorities were reimbursed after filing of the annual tax declaration.

2.2.16.2. Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with assets and liabilities if the transaction which led to their initial recognition is a transaction that is not a business combination and that affects neither accounting nor tax profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets arising from tax loss carryforwards are recognized only to the extent that the Group has sufficient taxable temporary differences or there is convincing evidence that sufficient future taxable profit will be available against which the unused tax losses can be utilized. As of December 31, 2021 and 2020, based on management's judgment, it was not probable that taxable profit will be available against which the unused tax losses can be utilized; no deferred tax assets were therefore recognized in the consolidated statements of financial position.

2.3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these consolidated financial statements, the critical judgments made by management in applying the Group's accounting policies involve the following areas:

Accounting for share-based payments

When determining the grant date fair value of share-based payment awards, assumptions must be made regarding the key parameters of the grant (see Note '3.6.2 Measurement of fair values of share options granted'). In 2021, the Company's share price volatility assumption was 135%, which reflects historical share price volatility adjusted for future value inflection points which management believes will influence the share price of the Company in future periods. Additionally, the Company must estimate the number of equity instruments which will vest in future periods as awards may be forfeited prior to vesting due to an awardee's failure to satisfy a performance condition, including due to employment termination. An assumption of the forfeiture rate must be made based on historical information and adjusted to reflect future expectations. Revisions to the forfeiture rate could result in a cumulative effect of the change in estimate for current and prior periods to be recognized in the period of change.

Measurement of third-party R&D clinical trial accruals and related expense

In measuring R&D expenses for the reporting period, the Company estimates the amount of expense to recognize and liability to accrue as far as the invoices of third-party service providers are not yet received (e.g. for pass-through costs charged by the Company's contract research organizations ('CROs') and exceed any prepayments made. The timing of the invoicing of project services by CROs follow contractual billing schedules and can occur several months prior to or following a reporting period. This estimation involves determining a percentage-of-completion whereby the degree to which services have been rendered for the individual project activities contracted from the CRO is assessed and estimated by in-house R&D project managers and reviewed by the controlling department. This percentage-of-completion is used to measure the amount of the unbilled project activities which have already been rendered by the reporting date and the associated R&D expense and liability to recognize as a result.

The percentage-of-completion estimates are based on the best information available at the time. However, additional information may become available in the future and management may adjust the estimate in such future periods. In this event, the Company may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. The Company considers resulting increases or decreases in expenses as changes in estimates and reflects such changes in research and development expenses in the period identified.

The Company has accrued €5,924,720 as of December 31, 2021 and €5,250,654 as of December 31, 2020 (see Note 4.10 Trade and other payables) in third-party clinical trial accruals. As of these dates, prepayments were recorded for those payments made against which no services had yet been rendered (2021: €10,649,174, 2020: €2,340,643, see Note 4.5 Other assets).

3. Consolidated Statements of Operations and Comprehensive Loss

3.1. Research and development expenses

Research and development expenses increased in 2021 compared to 2020 due primarily to higher expense for the phase III part of our COVID-19 trial. The table below shows the composition of research and development expenses.

Research and development expenses	**2021**	**2020**	**2019**
		(in €)	
Third-party services	28,247,081	19,886,693	36,783,223
of which manufacturing of clinical material	*6,615,840*	*3,075,347*	*13,479,235*
of which clinical, pre-clinical studies	*21,631,240*	*16,811,346*	*23,303,988*
Employee benefits expenses	5,941,813	4,480,890	6,231,812
of which Equity-settled share-based payment expense	*1,622,898*	*626,833*	*2,580,983*
Legal and consulting fees	1,074,710	862,364	668,676
Other expenses	434,331	454,193	898,425
Total	**35,697,935**	**25,684,140**	**44,582,136**

3.2. General and administrative expenses

General and administrative expenses include the items below. In 2021, compared to the prior year, the increase is mainly caused by higher expenses for employee benefits, as well as by an increase of the Company's business activities and the expense of operating as a public company in the United States.

General and administrative expenses	**2021**	**2020**	**2019**
		(in €)	
Employee benefits expenses	6,500,680	3,880,349	7,534,073
of which Equity-settled share-based payment expense	*2,709,307*	*489,958*	*4,251,227*
Legal and consulting fees	2,065,423	1,603,711	2,199,640
Insurance expenses	1,615,920	1,311,790	636,035
Depreciation & amortization expense	551,566	556,456	503,683
Compensation expense for non-executive board directors	271,248	283,128	269,030
Other expenses	979,884	831,769	1,358,587
Total	**11,984,722**	**8,467,203**	**12,501,048**

3.3. Employee benefits expenses

The following table shows the items of employee benefits expenses:

Employee benefits expenses	**2021**	**2020**	**2019**
		(in €)	
Wages and salaries	6,919,166	6,270,757	5,974,807
Social security contributions (employer's share)	671,697	551,804	562,255
Equity-settled share-based payment expenses (see Note 4.7 Share-based payments)	4,332,205	1,116,791	6,832,210
Other	519,425	421,887	396,613
Total	**12,442,493**	**8,361,239**	**13,765,885**

The number of employees rose to 55.9 full time equivalents (FTEs) at the end of 2021 from 47.3 FTEs at the end of 2020 and 43.7 FTEs at the end of 2019 (numbers are as of December 31 and are not annual average numbers).

3.4. Net Financial Result

3.4.1. Finance Result

Finance Result	2021	2020	2019
		(in €)	
Finance income			
Interest income	109,391	887,702	2,840,676
Finance expenses			
Interest expenses	(10,714)	(18,689)	(9,500)
Interest on lease liabilities	(14,055)	(7,311)	(12,765)
Total	**84,622**	**861,702**	**2,818,411**

Interest income results from marketable securities and short-term deposits in U.S. Dollars held by the Company and its subsidiaries. Compared to 2020, interest income decreased by €778 thousand in 2021. This decrease is related to the lower interest rates available in the financial markets.

3.4.2. Foreign exchange result

Foreign exchange result	2021	2020	2019
		(in €)	
Foreign exchange result			
Foreign exchange income	5,569,836	3,656,922	3,379,644
Foreign exchange expense	(3,605,701)	(4,433,435)	(2,684,700)
Total	**1,964,135**	**(776,513)**	**694,944**

Foreign exchange income and expense is mainly derived from group entities that do not use the U.S. dollar as their functional currency. Those entities translate U.S. dollar cash, cash equivalents and marketable securities at the exchange rates prevailing on the reporting date. Any resulting translation differences are recognized in profit and loss. These gains and losses are caused by a change in the exchange rates as of the reporting dates and may not ultimately be realized.

3.4.3. Other financial result

	2021	2020	2019
		(in €)	
Other financial result	**(44,000)**	**(126,000)**	**—**

Other financial result is comprised of an expense of €44,000 (€126,000 in 2020, nil in 2019) due to an adjustment to the expected credit loss allowance in 2021, which is deducted from the Company's current and non-current financial assets (please also refer to 5.6 'Other assets').

3.5. Loss per share

Loss per common share is calculated by dividing the loss of the period by the weighted average number of common shares outstanding during the period. The weighted number of common shares outstanding for the financial year 2021 was 41,629,974, for 2020 was 27,064,902 and for 2019 was 26,004,519.

For the period in which the Company is in a loss-making situation, the diluted loss per share is the same as basic loss per share, because the weighted average number of shares to be issued upon the exercise of the stock options would produce an anti-dilutive effect.

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3.6. Share-based payments

3.6.1. Equity-settled share-based payment arrangements

In the course of its historical financing rounds prior to 2016, InflaRx GmbH established equity-settled share-based payment programs. Those InflaRx GmbH options were converted into options for common shares of InflaRx N.V. in November 2017:

	2021 Options	2021 WAEP*	2020 Options	2020 WAEP
Outstanding at January 1	**148,433**	€0.01	**148,433**	€0.01
Exercised during the year	—	—	—	—
Outstanding at December 31	**148,433**	€0.01	**148,433**	€0.01
Exercisable at December 31	148,433	€0.01	148,433	€0.01

* Weighted average share price (WAEP)

The exercise price for all options outstanding at the end of the year was €0.01 per share or less (2020: €0.01 or less).

Under the terms and conditions of the share option plan of 2016 (the "2016 Plan"), InflaRx GmbH granted rights to subscribe for InflaRx GmbH's common shares to directors, senior management, and key employees. Those InflaRx GmbH options were converted into options for common shares of InflaRx N.V. in November 2017:

	2021 Options	2021 WAEP*	2020 Options	2020 WAEP*
Outstanding at January 1	**1,094,852**	$3.35/€2.73	**1,181,484**	$3.35/€2.98
Exercised during the year	(206,220)	$3.35/€2.83	(86,632)	$3.35/€2.94
Outstanding at December 31	**888,632**	$3.35/€2.96	**1,094,852**	$3.35/€2.73
Exercisable at December 31	888,632	$3.35/€2.96	1,094,852	$3.35/€2.73

* conversion rates used for one €: December 31, 2021 $0.8829, average rate 2021 $0.8449, December 31, 2020 $0.8149, average rate 2020 $0.8762

The weighted average remaining contractual life for the share options outstanding as at December 31, 2021 was 9.94 years (2020: 10.93 years).

In conjunction with the closing of its initial public offering, InflaRx N.V. established a new incentive plan (the "2017 Long-Term Incentive Plan"). The initial maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2017 Long-Term Incentive Plan equals 2,341,097 common shares:

	2021 Options	2021 WAEP*	2020 Options	2020 WAEP*
Outstanding at January 1	**2,146,478**	$3.59 / €2.93	**2,181,105**	$3.44 /€3.06
Granted during the year	1,219,074	$4.53 / €3.82	246,188	$4.83 /€4.23
Forfeited during the year	(36,400)	$4.76 /€4.02	(78,342)	$3.35 /€2.94
Exercised during the year	(159,106)	$3.35 /€2.83	(202,473)	$3.61 /€3.17
Outstanding at December 31	**3,170,046**	$3.95 /€3.49	**2,146,478**	$3.59 /€2.93
Exercisable at December 31	2,536,875	$3.89 /€3.43	1,863,790	$3.46 /€2.82

* conversion rates used for one €: December 31, 2021 $0.8829, average rate 2021 $0.8449, December 31, 2020 $0.8149, average rate 2020 $0.8762

The weighted average remaining contractual life for the share options outstanding as at December 31, 2021 was 6.18 years (2020: 5.38 years).

For grants with unvested share options outstanding at December 31, 2021, the options granted in 2021 vest over one year. Options granted before 2021 vest over a period of two or three years, depending on the grant, with 1/2 or 1/3, respectively, of the options vesting after the end of the 1st year from vesting start and the remaining options vesting monthly in equal portions thereafter. Vesting of these unvested share options is subject to the service condition of remaining employed at the time of vesting and no market or performance conditions are applicable.

The weighted average fair value of options granted during the year was $3.99/€3.37(2020: $3.88/€3.40). The range of exercise prices for options outstanding at the end of the year was $2.28/€2.01 to $22.75/€20.09 (2020: $2.28/€1.86 to $22.75/€18.54).

Please refer to the table below regarding the measurement of fair values of share options granted.

There were no cancellations or further modifications to the awards in 2021, 2020 and 2019.

3.6.2. Measurement of fair values of share options granted

The fair value of options granted under the 2017 Long-Term Incentive Plan was determined using the Black-Scholes valuation model. As the Company's common shares are listed on the Nasdaq Global Select Market, the closing price of the common shares at grant date was used.

Other significant inputs into the model are as follows (weighted average):

Share options granted	**Options**	**Fair value per option**	**FX rate as of grant date**	**Fair value per option**	**Share price at grant date / Exercise price**	**Expected volatility**	**Expected life** (midpoint based)	**Risk-free rate** (interpolated, U.S. sovereign strips curve)
2019								
January 1	—	$14.45	0.88	€12.69	$26.02	0.65	4.8	3,00%
February 4	18,450	$18.17	0.87	€15.87	$32.63	0.65	4.9	2,60%
May, 14	36,000	$22.54	0.89	€20.08	$41.39	0.65	4.7	2.30%
Repricing, July 3	—	$0.46-$1.08	0.89	€0.40-€0.96	$3.35	1.35	2.3-4.6	2.30%
October 24	50,000	$1.96	0.90	€1.76	$2.28	1.35	4.7	1,65%
December 16	38,000	$3.07	0.90	€2.75	$3.57	1.35	4.7	1,79%
December 16*	100,000	$3.07	0.90	€2.75	$3.57	1.35	4.7	1,79%
	242,450							

On November 20, 2018, 75,000 stock options were awarded subject to a specified condition, which was satisfied on January 1, 2019, therefore, the expense for these share options was recognized in 2019.

* Options granted to the executive management

Share options granted	Options	Fair value per option	FX rate as of grant date	Fair value per option	Share price at grant date / Exercise price	Expected volatility	Expected life (midpoint based)	Risk-free rate (interpolated, U.S. sovereign strips curve)
2020								
September 18	71,186	$4.16	0.85	€3.52	$4.83	1.35	4.8	0.36%
September 18	25,002	$4.21	0.85	€3.56	$4.83	1.35	5.0	0.39%
October 1	150,000	$3.69	0.85	€3.14	$4.28/$4.83	1.35	5.0	0.36%
	246,188							

Of the options granted in 2020, 200,000 were granted to members of the executive management. For 150,000 options out of those, the grant date, as it is defined by IFRS 2, is determined to be October 1, 2020, the start of the awardee's employment.

2021								
January 4	839,260	$4.53	0.8133	€3.68	$5.14	1.35	5.31	0.5%
January 4	31,668	$4.57	0.8133	€3.72	$5.14	1.35	5.50	0.5%
July 2	327,436	$2.64	0.8458	€2.23	$2.99	1.35	5.31	0.98%
July 2	20,710	$2.66	0.8458	€2.25	$2.99	1.35	5.49	1.01%
	1,219,074							

Of the 1,219,074 options granted in 2021, 1,134,436 were granted to members of the executive management or Board of Directors. In 2021, 36,400 options were forfeited

Expected dividends are nil for all share options listed above.

Expected volatility has been based on the historical volatility of the Company's share price. Considering a significant price drop on June 5, 2019, averages were calculated including and excluding this trading day which results in an average volatility of 115% (128% in 2020). For grants after June 2019, the Company has selected a volatility of 135% which accounts for expectations of the management.

The range of outcomes for the expected life of the instruments has been based on expectations on option holder behavior in the scenarios considered.

The dividend yield has no impact due to the anti-dilution clause as defined in the 2017 Long-Term Incentive Plan.

The annual general meeting on July 16, 2020, approved an amendment to the 2017 Long-Term Incentive Plan (LTIP) with effect from January 1, 2021:

- increasing the maximum annual number of common shares in the Company's capital available for issuance under the LTIP, starting on January 1, 2021, to 4% (from 3%) of the Company's outstanding common shares (determined as of December 31 of the immediately preceding year); and

- removing certain restrictions from the LTIP, which will allow the committee administering the LTIP and the Board to (i) lower the exercise price per share of any options and/or share appreciation rights issued under the LTIP or take any other action treated as a 'repricing' of an award and (ii) cancel any option and/or share appreciation rights in exchange for cash or another award granted under the LTIP, in either case, without prior approval of the Company's shareholders.

4. Consolidated Statements of Financial Position

4.1. Property and equipment

	Property and equipment	Advance payments	Total
Cost	**(in €)**		
At January 1, 2020	**1,173,473**	**—**	**1,173,473**
Additions	66,114	—	66,114
Disposals	(5,298)	—	(5,298)
Exchange differences	(34,750)	—	(34,750)
At December 31, 2020	**1,199,540**	**—**	**1,199,540**
Additions	36,938	—	36,938
Disposals	—	—	—
Exchange differences	31,133	—	31,133
At December 31, 2021	**1,267,611**	**—**	**1,267,611**
Accumulated depreciation			
At January 1, 2020	**(597,101)**	**—**	**(597,101)**
Depreciation charge for the year	(212,733)	—	(212,733)
Disposals	1,793	—	1,793
Exchange differences	16,764	—	16,764
At December 31, 2020	**(791,277)**	**—**	**(791,277)**
Depreciation charge for the year	(181,900)	—	(181,900)
Disposals	—	—	—
Exchange differences	(20,060)	—	(20,060)
At December 31, 2021	**(993,238)**	**—**	**(993,238)**
Net book value			
At December 31, 2020	**408,263**	**—**	**408,263**
At December 31, 2021	**274,373**	**—**	**274,373**

4.2. Right-of-use assets

	Buildings	Cars	Total
Cost	**(in €)**		
At January 1, 2020	**1,067,823**	**35,058**	**1,102,881**
Additions	—	101,993	101,993
Disposals	—	(28,366)	(28,366)
Exchange differences	(7,997)	—	(7,997)
At December 31, 2020	**1,059,826**	**108,685**	**1,168,512**
Additions	1,208,665	16,445	1,225,110
Disposals	—	—	—
Exchange differences	15,777	—	15,777
At December 31, 2021	**2,284,269**	**125,130**	**2,409,399**
Accumulated depreciation			
At January 1, 2020	**(245,126)**	**(20,831)**	**(265,957)**
Depreciation charge for the year	(335,608)	(34,410)	(370,018)
Disposals	—	7,880	7,880
Exchange differences	6,277	—	6,277
At December 31, 2020	**(574,457)**	**(47,361)**	**(621,818)**
Depreciation charge for the year	(342,897)	(28,654)	(371,551)
Disposals	—	—	—
Exchange differences	(7,952)	—	(7,952)
At December 31, 2021	**(925,306)**	**(76,015)**	**(1,001,321)**
Net book value			
At December 31, 2020	**485,369**	**61,324**	**546,694**
At December 31, 2021	**1,358,962**	**49,116**	**1,408,078**

4.3. Intangible Assets

	Purchased IT-software	Advances paid for soft-ware	Total
Cost	**(in €)**		
At January 1, 2020	**683,891**	**8,190**	**692,081**
Additions	28,075	—	28,075
Reclassification	8,190	(8,190)	—
Exchange differences	(562)	—	(562)
At December 31, 2020	**719,593**	**—**	**719,593**
Additions	840	—	840
Reclassification	—	—	—
Exchange differences	508	—	508
At December 31, 2021	**720,942**	**—**	**720,942**
Accumulated amortization			
At January 1, 2020	**(239,681)**	**—**	**(239,681)**
Amortization charge for the year*	(129,963)	—	(129,963)
Exchange differences	234	—	234
At December 31, 2020	**(369,410)**	**—**	**(369,410)**
Amortization charge for the year	(115,982)	—	(115,982)
Exchange differences	(334)	—	(334)
At December 31, 2021	**(485,726)**	**—**	**(485,726)**
Net book value			
At December 31, 2020	**350,184**	**—**	**350,183**
At December 31, 2021	**235,216**	**—**	**235,216**

Amortization of intangible assets is included in the line items ‘research and development expenses’ (2021: €10,192, 2020: €27,937, 2019: €30,662) and ‘general and administrative expenses’ (2021: €105,790, 2020: €102,026, 2019: €75,696) in the consolidated statements of operations and comprehensive loss.

4.4. Leases

Lease obligations consist of payments pursuant to non-cancellable lease agreements mainly relating to the Company's leases of office space. The lease terms of the Company's premises expire as follows: Jena, Germany in December 2022, Martinsried, Germany in May 2027 and Ann Arbor, United States in April 2024.

Set out below, are the carrying amounts and the movements of the Group's lease liabilities:

Lease liabilities	**2021**	**2020**
As of January 1	**559,041**	**845,948**
Additions	1,225,110	101,993
Derecognition	(20,555)	(20,555)
Payments	(340,088)	(366,156)
Short-term liability for accrued interest expense	1,136	(388)
Foreign exchange difference	7,882	(1,802)
As of December 31	**1,432,526**	**559,041**

The following are the amounts recognized in profit or loss:

	2021	**2020**	**2019**
		(in €)	
Depreciation expense of right-of-use assets (see Note 4.2)	371,551	362,137	265,957
Interest expense on lease liabilities	14,055	7,311	12,765
Rental expense from leases	6,261	6,275	70,451
Thereof short-term leases (included in administrative expenses)	*—*	*937*	*65,348*
Thereof leases of low-value assets (included in administrative expenses)	*6,261*	*5,338*	*5,103*
Total amounts recognized in profit or loss	**391,867**	**375,723**	**349,173**

The Group had total cash outflows for leases of €379,868 in 2021 (€374,698 in 2020, €378,035 in 2019).

4.5. Other assets

Other assets	**December 31, 2021**	**December 31, 2020**
	(in €)	
Non-current other assets		
Prepaid expense	336,566	353,522
Total	**336,566**	**353,522**
Current other assets		
Prepayments on research & development projects	10,649,174	2,340,643
Prepaid expense	334,284	1,295,682
Other	—	98,374
Total	**10,983,458**	**3,734,699**
Total other assets	**11,320,024**	**4,088,221**

Prepayments on research & development projects consists of prepayments on CRO and manufacturing contracts. Prepaid expense mainly consists of prepaid insurance expense.

4.6. Income tax

4.6.1. Income tax reconciliation

The table below shows a reconciliation between the product of loss before tax multiplied by the Company's applicable tax rate and current income taxes recognized in profit or loss.

InflaRx Group	**2021**	**2020**	**2019**
		(in €)	
Loss for the period (accounting profit before income tax)	(45,630,059)	(33,983,614)	(53,254,817)
Tax rate	28.5%	28.7%	29.6%
Tax benefits at tax rate	13,001,984	9,761,910	15,815,083
Tax losses for which no deferred tax asset was recognized	(13,001,984)	(9,761,910)	(15,815,083)
Income tax	—	—	—

The tax rate applied above represents the weighted average of the statutory tax rates in Germany and the USA. In Germany, InflaRx N.V. and its German subsidiary InflaRx GmbH are subject to corporate income tax (2021/2020/2019: 15%), a solidarity surcharge (2021/2020/2019: 0.8%) and trade taxes (2021: 12.8%, 2020: 13.0%, 2019: 13.9%). This equals an average total tax rate of 28.6% in 2021 (2020:28.9% 2019: 29.7%). InflaRx Pharmaceutical Inc., Ann Arbor, Michigan, USA is subject to an average total tax rate of 25.74% in 2021 (2020 and 2019: 27.0%), which is made up of U.S. federal tax (2021, 2020, 2019: 21%) and state tax of 4.74% in 2021 (2020, 2019: 6%).

4.6.2. Tax losses carried forward

The Group has total tax loss carryforwards of €186.9 million (2020: €148.1 million) from three areas that cannot be utilized outside these areas:

- As of December 31, 2021 the Group has €141,965,443 (2020: €107,188,000) of unrecognized and unused tax losses carried forward attributable to the tax group formed by InflaRx N.V. since 2018; these tax losses do not expire and may not be used to offset taxable income elsewhere in the Group. Since January 1, 2018, InflaRx GmbH has distributed its losses to the parent Company InflaRx N.V. under a profit and loss transfer agreement. This tax group was formed in Germany and is subject to German tax legislation.

- Tax losses of InflaRx GmbH until December 31, 2017 (€34,787,000) are frozen from 2018 onwards due to the tax group with InflaRx N.V. Those losses of InflaRx GmbH do not expire and may be used to offset future taxable income of InflaRx GmbH only.

- In addition, the Group still has tax loss carryforwards of $11,510,188, €10,162,624 (2020: $6,965,000, €6,149,384) from the operations of InflaRx Pharmaceutical Inc. which can also only be utilized there, generally do not expire, but are generally limited to 80% of taxable income.

As of December 31, 2021, 2020 and 2019, no deferred tax assets were recognized for the carryforward of unused tax losses.

4.6.3. Current income tax receivable

Current income tax receivable includes tax claims because of income tax withheld on interest income earned by the Group on the financial assets (2021: €812,689, 2020: €1,026,494). The Company is reimbursed for the payments after filing a tax return.

4.7. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities, other than cash and short-term deposits included in cash equivalents, held by the Group as at December 31, 2021 and December 31, 2020:

Financial assets and financial liabilities	December 31, 2021	December 31, 2020
	(in €)	
Financial assets at amortized cost		
Non-current financial assets	27,206,990	272,268
Current financial assets	57,162,266	47,138,738
Financial liabilities at amortized cost		
Trade and other payables	16,874,244	8,258,133

The fair value of current and non-current financial assets amounted to €84,376 thousand (level 1; 2020: €47,392 thousand). The Group's financial assets at amortized cost consist mainly of quoted debt securities with fixed interest rates that are graded highly by credit rating agencies such as S&P Global and, therefore, are considered low credit risk investments.

The maturities of all securities held as of December 31, 2021 are between two and sixteen months (2020: between two and eleven months); they bear nominal fixed interest in the range of 0.0% to 7.8750% (2020: 1.4% to 3.1%).

4.8. Cash and cash equivalents

Cash and cash equivalents	December 31, 2021	December 31, 2020
	(in €)	
Short-term deposits		
Deposits held in U.S. dollars (3 months original maturity and less)	12,584,892	22,616,767
Deposits held in Euro (3 months original maturity and less)	—	1,800,000
Total	**12,584,892**	**24,416,767**
Cash at banks		
Cash held in U.S. dollars	7,612,467	1,189,126
Cash held in U.S. Euro	6,052,636	362,788
Total	**13,665,103**	**1,551,914**
Total cash and cash equivalents	**26,249,995**	**25,968,681**

4.9. Equity

4.9.1. Issued capital

As of December 31, 2021, the issued capital of the Company is divided into 44,203,763 common shares (2020: 28,228,415). The nominal value per share is €0.12. All shares issued are fully paid and have the same rights on the distribution of dividends and the repayment of capital.

On July 8, 2020, the Company filed a Form F-3 (Registration Statement) with the United States Securities and Exchange Commission (SEC) with respect to the offer and sale of securities of the Company. The Company also filed with the SEC a prospectus supplement (Prospectus Supplement) relating to an at-the-market program providing for the sale of up to $50,000,000 of its common shares over time pursuant a Sales Agreement with SVB Leerink LLC. As of December 31, 2020, the Company had issued 1,958,186 common shares resulting in €9.0 million in net proceeds to the Company.

During the fiscal year 2021, the Company issued 610,022 common shares under its at-the-market program resulting in €2.8 million in net proceeds. Following these and previous issuances under this program, the remaining value authorized for sale under the Sales Agreement amounts to $35.2 million as of December 31, 2021.

On February 25, 2021, the Company sold an aggregate of 15,000,000 common shares through a public offering. The common shares were sold at a price of $5.00 per share and have a nominal value of €0.12 per share. For each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of $5.80. The shares and warrants were issued and the transaction closed on March 1, 2021 with gross offering proceeds to the Group from this offering of $75.0 million (€62.2 million), before deducting $4.5 million (€3.7 million) in underwriting discounts and other offering expenses of $0.4 million (€0.3 million). The warrants were exercisable immediately and expired on March 1, 2022. No warrants were exercised.

4.9.2. Authorized capital

According to the articles of association of the Company, up to 110,000,000 ordinary shares and up to 110,000,000 preferred shares with a nominal value of €0.12 per share are authorized to be issued. All shares are registered shares. No share certificates shall be issued.

In order to deter acquisition bids, the Company's general meeting of shareholders approved the right of an independent foundation under Dutch law, or protective foundation, to exercise a call option pursuant to the call option agreement, upon which preferred shares will be issued by the Company to the protective foundation of up to 100% of the Company's issued capital held by others than the protective foundation, minus one share. The protective foundation is expected to enter into a finance arrangement with a bank or, subject to applicable restrictions under Dutch law, the protective foundation may request us to provide, or cause the Company's subsidiaries to provide, sufficient funding to the protective foundation to enable it to satisfy its payment obligation under the call option agreement.

These preferred shares will have both a liquidation and dividend preference over the Company's common shares and will accrue cash dividends at a pre-determined rate. The protective foundation would be expected to require us to cancel its preferred shares once the perceived threat to the Company and its stakeholders has been removed or sufficiently mitigated or neutralized. The Company is of the opinion that the call option does not represent a significant fair value based on a level 3 valuation, since the preference shares are restricted in use and can be cancelled by us as stated above.

For the year ended December 31, 2021, the Company expensed €60,000 of ongoing costs to reimburse expenses incurred by the protective foundation.

4.9.3. Nature and purpose of equity reserves

In addition to the issued capital, the Company discloses the following other reserves:

- *Share premium* records the amounts paid in upon issuance of common shares in excess of nominal value of €0.12 per share, net of related transaction costs.
- The *other capital reserves* include the expense resulting from the issue of share options.
- *Accumulated deficit* includes the losses of previous reporting periods.
- *Other components of equity* exclusively include currency reserves from the conversion of financial statements in foreign currencies

4.10. Trade and other payables

Trade and other Payables	December 31, 2021	December 31, 2020
	(in €)	
Accrued liabilities from R&D projects	5,924,720	5,250,654
Accounts payable	1,685,037	1,741,251
Other accrued liabilities and payables	964,486	1,266,228
Total trade and other payables	**8,574,243**	**8,258,133**

Accrued liabilities from R&D projects include services from the Company's ongoing projects that have not yet been invoiced to the Company as of the reporting date.

4.11. Liabilities from government grants received

As of December 31, 2021, Liabilities from government grants received amounts to €8.3 million (2020: Nil) and is comprised of payments received from the agency managing the BMBF grant prior to year-end against which costs have not yet been incurred or eligibility of costs incurred as of December 31, 2021 remains uncertain.

5. Risk

5.1. Financial risk management

5.1.1. Financial risk management objectives and policies

The Group's financial risks are predominantly controlled by central treasury activities under an investment policy approved by the Board of Directors on December 15, 2021. Those treasury activities identify, evaluate and manage financial risks consistent with the Group's operating needs. The board provides policies for overall risk management, covering specific areas, such as foreign exchange risk and credit risk. The Company does not intend to use derivative financial instruments because the Group's future risk exposures cannot be reliably forecasted (volume of business activity, liquidity needs, foreign exchange exposure).

Hedging is not applied as most of the business activity is intended to be executed in U.S. Dollars and paid with the U.S. Dollars funds raised in public offerings. The foreign exchange exposure from costs incurred in currencies other than Euro is deemed immaterial.

The Group's principal financial assets comprise quoted debt securities with highly credit ratings. Besides these financial assets, the Group has significant cash and cash equivalents. The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial assets, cash/cash equivalents and liabilities are to finance the Group's development activities.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and adopts policies for managing each of these risks, which are summarized below. The Group's senior management oversees the management of these risks.

	Exposure	Measurement	Risk Management
Market risk	Future development costs; Recognized financial assets and liabilities not denominated in Euro	Forecasted cash flows Sensitivity analysis	Achievement of a natural hedge in the future
Credit risk	Cash and cash equivalents, current and non-current financial assets	Credit rating	Diversification of bank deposits, Investment guidelines for debt investments
Liquidity	R&D and G&A cost, equity, trade and other payables	Rolling cash flow forecast	Availability of funds through financing rounds or public offerings

5.1.2. Market risk

Market risk is the risk that changes in market prices (e.g., due to foreign exchange rates) will affect the Group's income, expenses or the value of its holdings of financial instruments. The objective of market risk management is to identify, manage and control market risk exposures within acceptable parameters.

Foreign exchange risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency that is not an entity's functional currency. The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which costs and purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the U.S. dollars and Euro. The currencies in which these transactions and financial assets are primarily denominated are U.S. dollars and Euro. The Group is exposed to the exchange rate between the Euro and the U.S. dollars. Due to the Company's various registered offerings of common shares in US dollars, the Group has significant cash and cash equivalents in U.S. dollars. Currently the Group does not hedge U.S. dollars but intends to achieve a natural hedge by contracting suppliers in U.S. dollars in the future. In 2021, the Group recognized significant foreign exchange gains and losses as the natural hedge is not yet achieved and the functional currency for InflaRx GmbH is Euro.

The Group is primarily exposed to changes in U.S. dollar to Euro exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from U.S. dollar denominated financial instruments at InflaRx GmbH.

In 2021, if the Euro had weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, the Group's loss would have been €1 million higher/€2 million lower, mainly as a result of foreign exchange on translation of U.S. dollar-denominated assets of InflaRx GmbH.

Cash, cash equivalents and financial assets denominated in USD of InflaRx GmbH	**December 31, 2021**	**December 31, 2020**
	(in €)	**(in €)**
Current financial assets (securities and accrued interest)	4,014,861	8,333,240
Cash and cash equivalents	10,550,217	22,530,687
Total assets exposed to the risk	**14,565,078**	**30,863,927**
Conversion rate EUR/USD at reporting date 1/1.1326		

Sensitivity analysis:	**Conversion rate**	**Profit/(loss)**	**carrying amount**
		(in €)	
Euro weakens against U.S. dollars	1.2459	(1,324,098)	13,240,980
Euro strengths against U.S. dollars	1.0193	1,618,342	16,183,420

Based on the exchange rate fluctuations from the last three years, the Company expects that exchange rate fluctuations of the Euro to the U.S. dollar between 1.0193 and 1.24591.2459 could be reasonably possible. Compared to the exchange rate on the statement of financial position date (EUR/USD at reporting date is 1/1.1326), these rates could have a material impact on the Company's total loss of the period.

5.1.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations leading to a financial loss for the Company. The Company is exposed to credit risk mainly from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's investment policy. Investment of financial resources which are currently not used to fund R&D or G&A activities, are made only with counterparties within the credit limits approved by the investment policy. For investments in Euro or USD debt securities, a BBB+ to AAA credit rating is required Complex financial products as well as other investments denominated in currencies other than USD or Euro are not permitted by the investment policy. Counterparty credit limits and the investment policy are discussed with the Company's Audit Committee on an annual basis and may be updated throughout the year subject to approval of the Company's Audit Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The maximum exposure to counterparty credit risk is €110.6 million at December 31, 2021 (December 31, 2020: €81.4 million). This amount equals the carrying amount at year end of cash and cash equivalents (2021: €26.2 million; 2020: €26.0 million) and financial assets (2021: €84.4 million; 2020: €55.4 million).

5.1.4. Liquidity risk

The Company monitors its risk of a shortage of funds in every quarterly forecast as well as on an ongoing basis. The Company disclosed the maturities of its principal liabilities under '6 Commitments'. Prudent liquidity risk management involves maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due. The Group continually monitors its risk of a shortage of funds using short and mid-term liquidity planning. This takes into account of the expected cash flows from all activities. The management team performs regular reviews of the budget.

The Company has a history of significant operating losses. Management expects that the Company incurs significant and increasing losses for the foreseeable future; as the Company may not achieve or maintain profitability in the near future, it is dependent on capital contributions or other funding.

The Group has raised significant funding from various registered offerings that it estimates will enable the Group to fund operating expenses and capital expenditure requirements for at least 24 months from December 31, 2021. The Group expects to require additional funding to continue to advance the development of product candidates. In the event regulatory approval is received and the Company implements a strategy to commercialize the products itself, the Group would require additional capital.

In 2021, as a result of the BMBF agreements (see Notes 2.2…13.4.) the Company has received significant advance payments which contribute to its financing of its operations. Such funds are to be used for finalizing InflaRx's COVID-19 clinical research and development program and, if successful, transfer the manufacturing process from China to Germany to ensure future security of supply in Germany..

At the end of the reporting period, the Group held the following deposits that are expected to readily generate cash inflows to meet the outstanding financial commitments.

Liquidity	**December 31, 2021**	**December 31, 2020**
	(in €)	
Short-term deposits	12,584,892	24,416,767
Cash at banks	13,665,103	1,551,914
Marketable Securities (current and non-current)	83,709,248	54,752,700
Other (non-current portion)	272,581	272,268
Other (current)	387,449	409,333
Total funds available	**110,619,273**	**81,402,982**

As of December 31, 2021, we have received €8.3 million in cash from the German Federal Government grant, which is presented in "Liabilities from government grants received"; our right to retain these funds is contingent on meeting all grant conditions.

5.2. Capital management

The Group's policy for capital management is to ensure that it maintains its liquidity in order to finance its operating activities, future business development and meet its liabilities when due. The Group manages its capital structure primarily through equity. The Group does not have any financial liabilities, other than trade and other payables or leasing liabilities.

No changes were made in the objectives, policies or processes for managing capital during the year.

6. Commitments

6.1. Operating contracts or services

The Group enters into contracts in the normal course of business with CROs and clinical sites for the conduct of clinical trials, professional consultants for expert advice and other vendors for clinical supply manufacturing or other services. These contracts can usually be terminated with 30 to 180 days' notice. In addition to this minimum duration, these contracts require full payment for services already rendered.

During 2021, the Group did not have any commitments to purchase property, plant and equipment or patents and trademarks (respectively nil in 2020).

6.2. Lease obligations

The maturity analysis of lease liabilities is disclosed in the following table:

Maturity analysis for capitalized leases in 2021	Contractual minimum lease obligations	Effect of discounting	Lease liabilities
		(in €)	
Within one year	383,259	17,087	366,171
After one year but not more than five years	994,716	29,313	965,403
More than five years	101,280	329	100,951
Total	**1,479,254**	**46,729**	**1,432,525**

Maturity analysis for all lease obligations in 2021	Total	Low value leases	Short-term leases	Capitalized leases
		(in €)		
Within one year	389,520	6,261	—	383,259
After one year but not more than five years	1,005,938	11,223	—	994,716
More than five years	101,280	—	—	101,280
Total	**1,496,738**	**17,484**	—	**1,479,254**

Anticipated future lease expenses were converted with the exchange rate as of December 31, 2021, 1 Euro = 1.1326 USD.

The Group applies the 'lease of low-value assets' recognition exemptions. The Group also applied the 'short-term lease' exemption for leases with a maturity of less than 12 months.

Maturity analysis for all lease obligations in 2020	Total	Low value leases	Short-term leases	Capitalized leases
		(in €)		
Within one year	352,261	6,261	—	346,000
After one year but not more than five years	249,199	17,484	—	231,715
More than five years	—	—	—	—
Total	**601,460**	**23,745**	—	**577,715**

Anticipated future lease expenses were converted with the exchange rate as of December 31, 2020, 1 Euro = 1.2271 USD.

7. Other information

7.1. Segment reporting

The Group has one segment. The Group is a clinical-stage biopharmaceutical group focused on applying its proprietary anti-C5a technology. These activities are conducted as own project development. The Board of Directors is the chief operating decision maker. Management of resources and reporting to the decision maker is based on the Group as a whole.

All operational activities are conducted in Germany and the United States. No revenues were generated in 2021, 2020 and 2019. The geographic location of the Group's non-current assets are as follows:

- December 31, 2021: €29,261 thousand in Germany and €200 thousand in the United States,
- December 31, 2020: €1,712 thousand in Germany and €219 thousand in the United States.

None of the non-current assets are in the country where the Company is incorporated (the Netherlands).

7.2. Related party transactions

The compensation of the Group's executive management comprises the following for the twelve months ending December 31:

Board Compensation	**2021**	**2020**	20**19**
		(in €)	
Executive Management			
Short-term employee benefits	2,817,792	1,995,292	2,793,529
Share-based payments	3,347,203	1,139,286	5,218,324
Total	**6,164,995**	**3,134,578**	**8,011,853**
Non-executive Board of Directors			
Short-term employee benefits	271,248	283,127	269,031
Share-based payments	488,937	69,938	710,611
Total	**760,185**	**353,065**	**979,642**
Total Compensation	**6,925,180**	**3,487,643**	**8,991,495**

Executive Management comprises Executive Directors of the Board and members from the C-Level of the Company.

The table above discloses short-term employee benefits that were contractually agreed for the board and executive management. As of December 31, 2021, €959,799 were not paid but accrued (2020: €1,152,416) for executive management and €225,146 (2020: €209,990) for non-executive members of the Board of Directors.

Remuneration of the Group's executive management comprises fixed and variable components and share-based payment awards. In addition, executive management receive supplementary benefits and allowances.

The Company entered into indemnification agreements with its directors and senior management. The indemnification agreements and the Company's Articles of Association require the Company to indemnify its directors to the fullest extent permitted by law.

The Company's current and future directors (and such other officer or employee as designated by the board of directors) have the benefit of indemnification provisions in the Articles of Association of InflaRx N.V. These provisions give the indemnified persons the right to recover from us amounts, including, but not limited to, litigation expenses, and any damages they are ordered to pay, in relation to acts or omissions in the performance of their duties. However, there is no entitlement to indemnification for acts or omissions which are considered to constitute malice, gross negligence, intentional recklessness and/or serious culpability attributable to such indemnified person. These agreements also provide, subject to certain exceptions, for indemnification for related expenses including, among

others, attorneys' fees, judgements, penalties, fines and settlement amounts incurred by any of these individuals in any action or proceeding. In addition to such indemnification, the Company provides its directors with directors' and officers' liability insurance.

7.3. COVID-19 Pandemic

The COVID-19 pandemic, which began in December 2019 has spread worldwide and continues to cause many governments to maintain measures to slow the spread of the outbreak through quarantines, travel restrictions, closure of borders and requiring maintenance of physical distance between individuals. During the year 2021, the Company`s employees have continued to be able to work from their home and partially return to the Company's offices. Our service providers also resumed full operations in 2021.

The Phase III part of the Group's global Phase II/III trial evaluating vilobelimab in mechanically ventilated patients with COVID-19 was initiated in mid-September 2020, and recruitment has finished, enrolling 369 patients with sites initiated across several countries, including the EU, South America and other regions. An interim analysis by an independent data monitoring committee took place in July 2021 in which the data of the first 180 patients evaluable for the 28-day mortality endpoint that completed the study was analyzed and led to the recommendation to continue the study as planned. Topline data at the 28-day mortality primary endpoint are expected to be available in the first quarter of 2022. On October 19, 2021, InflaRx announced that it was awarded a grant of up to €43.7 million from the German Ministry of Education and Research and the German Ministry of Health to support the Company's development of vilobelimab for the treatment for severe COVID-19 patients (see Note 2.2.5 for additional information regarding this grant).

7.4. Significant events after the reporting date

7.4.1. Warrant program 2021

On February 25, 2021, the Company sold an aggregate of 15,000,000 common shares through a public offering. The common shares were sold at a price of $5.00 per share. For each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of $5.80.The warrants were exercisable immediately and expired on March 1, 2022.

Appendix B - InflaRx N.V. Separate Financial Statements

Balance sheet as at 31 December 2021

(before appropriation of result)

EUR	Note	2021		2020	
Non-current assets					
Intangible Fixed Assets		1,282		3,213	
Tangible Fixed Assets		16,365		14,245	
Financial fixed assets	6.	8,123,456		12,665,923	
Securities	8.	26,637,809		0	
Other assets	7.	336,566		353,522	
Total non-current assets			35,115,478		13,036,903
Current assets					
Other receivables and prepaid expenses	7.	9,332,194		17,643,495	
Securities	8.	53,083,784		38,328,032	
Cash and cash equivalents	9.	9,140,328		9,789,627	
Total current assets			71,556,306		65,761,154
Total assets			**106,671,784**		**78,798,057**
Shareholders' equity	10.				
Issued capital		5,304,452		3,387,410	
Share premium reserve		241,268,304		181,247,437	
Other legal reserve		3,050,272		(3,726,791)	
Other reserves		(98,711,972)		(69,060,562)	
Net Result for the period		(45,630,059)		(33,983,614)	
			105,280,997		77,863,880
Current liabilities	11.		1,390,787		934,177
Total equity and liabilities			**106,671,784**		**78,798,057**

Company only profit and loss account for the year ended 31 December 2021

EUR	Note	2021	2020
Share of result of participating interests after tax	5.	(34,964,184)	(29,053,382)
Other result, after tax	13.	(10,665,875)	(4,930,232)
Net loss		**(45,630,059)**	**(33,983,614)**

Notes to the 2021 Company only financial statements

1. General

These Company only financial statements and the consolidated financial statements together constitute the statutory financial statements of InflaRx N.V. (hereafter: 'the Company'). The financial information of the Company is included in the Company's consolidated financial statements.

2. Financial reporting period

The Company financial statements cover the year 2021, which ended at the balance sheet date of December 31, 2021. These are the fifth year's financial statements of the Company and the comparative period relates to the year 2020, which ended at the balance sheet date of December 31, 2020.

3. Basis of preparation

These Company only financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of results for its separate financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, the separate financial statements should be read in conjunction with the consolidated financial statements.

The Company applies the exemption under article 2:402 of the Dutch Civil Code to present a condensed version of the Company only profit and loss account.

Information on the use of financial instruments and on related risks for the group is provided in the notes to the consolidated financial statements of the group.

The functional currency of InflaRx N.V. is U.S. Dollars, as the majority of income and expenses of InflaRx N.V. occurs in U.S. Dollar, whereas the presentation currency is the Euro.

All amounts in the company financial statements are presented in Euro (€), unless stated otherwise. Financial information presented has been rounded to the nearest Euro. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them or may deviate from other tables by one Euro at a maximum.

4. Participating interests in group companies

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group companies and has the ability to affect those returns through its power over the group companies. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the separate financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognized if and to the extent that the cumulative unrecognized share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognized accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

5. Share of result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests are eliminated to the extent that they can be considered as not realized.

The Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interest, instead of elimination against the equity value of the participating interests.

6. Financial fixed assets

Financial assets include the 100% investment of the Company in its fully owned subsidiary InflaRx GmbH, with statutory seat in Jena, Germany, and its fully owned subsidiary InflaRx Pharmaceuticals Inc., a Delaware corporation, US. The latter was established on January 5, 2018 by the Company. On February 1, 2021 and on November 1, 2021, capital contributions of €2,068,851 (USD 2.500.000) respectively €1,752,227 (USD 2.000.000) were conducted.

A summary of the movement in the value of the investments is given below:

(EUR)	InflaRx GmbH	InflaRx Pharmaceuticals Inc.	**Total Investments**
Net asset value at December 31, 2020	12,562,079	103,844	12,665,923
Contribution InflaRx GmbH (settlement 2020 result)	26,549,009	—	26,549,009
Contribution InflaRx Pharmaceutical Inc.	—	3,821,078	3,821,078
Exchange difference on translating foreign operations	—	(21,672)	(21,672)
Share in result subsidiaries	(30,987,632)	(3,976,552)	(34,964,184)
Written off receivables	—	73,302	73,302
Net asset value at December 31, 2021	**8,123,456**	—	**8,123,456**

On March 2, 2018 InflaRx N.V. as controlling company and InflaRx GmbH as controlled company entered into a domination and loss transfer agreement for an indefinite period of time. The final settlement between the Company and its subsidiary takes place right after determination of the annual result of the subsidiary.

As a result of InflaRx Pharmaceuticals Inc. loss in 2021, the Company's investment in InflaRx Pharmaceuticals Inc. were fully written off in 2021. (see note 7)

7. Other receivables and prepaid expenses

(EUR)	**December 31, 2021**	**December 31, 2020**
Receivables group parties	7,764,660	14,971,002
Prepaid expense (current & non-current)	471,375	1,460,890
Corporate income tax	602,992	820,665
Accrued interest on securities	360,245	351,465
VAT receivables	469,488	392,995
Total other receivables an prepaid expenses at December 31, 2021	**9,668,760**	**17,997,017**

The receivable with group companies covers short-term lending to InflaRx GmbH (2021: €7,683,128; 2020: 14,971,002) and InflaRx Pharmaceuticals Inc. (2021: €81,532; 2020: €0). These receivables bear no interest with the following exception.

The Company`s investment in InflaRx Pharmaceuticals Inc. has been fully written off in 2021 because of the losses in 2021 and preceding years. The excess part of the 2021 loss was deducted from the outstanding receivable with InflaRx Pharmaceuticals Inc. (see note 6.).

Prepaid expense mainly consists of accrued insurance expense for D&O and insurance expenses. The proportion that continues for more than 1 year is €336,566 (2020: €353,522).

All other receivables are due within one year.

8. Securities

The securities relate to listed debt securities (with credit ratings ranging from BBB+ to AAA) measured at amortized cost using the effective interest rate method. The market value of these securities amounts to €79,559,287 at 31 December 2021 (€38,435,001 at 31 December 2020). Acquisition costs of securities disclosed at December 31, 2021 were €80,118,408 (€38,649,114 at 31 December 2020). None of the securities have been pledged.

The maturities of all securities are between 2 and eighteen month and their nominal interests ranges between 0.0% and 7.875%.

Long term securities amounts on December 31, 2021 to €26,637,809.19 (fair value) and €27,137,990.11 (acquisition costs). In 2020 both amounts to Nil

9. Cash and cash equivalents

Cash and cash equivalents are at free disposal of the Company. Deposits included under cash and cash equivalents only represent deposits that are available on demand.

10. Shareholders' equity

Movement in shareholder's equity

The structure of the equity components for the Company only financial statements is predominately based on legal aspects, accordingly the presentation of the movement in the shareholders' equity is different from the presentation in the consolidated financial statements. The movement in shareholder's equity is as follows:

(EUR)	Issued capital	Share premium	Other legal reserves	Other reserves	Unappropriated result	Total equity
January 1, 2020	**3,132,631**	**171,964,167**	**2,227,228**	**(16,922,536)**	**(53,254,817)**	**107,146,673**
Changes in the financial year 2019:						
Appropriation of the result	—	—	—	(53,254,817)	53,254,817	—
Issue of ordinary shares	234,982	9,535,961	—	—	—	9,770,943
Transaction costs	—	(729,840)	—	—	—	(729,840)
Equity-settled share-based payment	—	—	—	1,116,791	—	1,116,791
Share options exercised	19,797	477,149	—	—	—	496,946
Net Loss for the period	—	—	—	—	(33,983,614)	(33,983,614)
Exchange differences on translation in presentation currency	—	—	(5,954,019)	—	—	(5,954,019)
December 31, 2020	**3,387,410**	**181,247,437**	**(3,726,791)**	**(69,060,562)**	**(33,983,614)**	**77,863,880**
Changes in the financial year 2021:						
Appropriation of the result	—	—	—	(33,983,614)	33,983,614	—
Issue of ordinary shares	1,873,203	63,269,346	—	—	—	65,142,549
Transaction costs	—	(4,219,221)	—	—	—	(4,219,221)
Equity-settled share-based payment	—	—	—	4,332,204	—	4,332,204
Share options exercised	43,839	970,744	—	—	—	1,014,583
Net Loss for the period	—	—	—	—	(45,630,059)	(45,630,059)
Exchange differences on translation in presentation currency	—	—	6,777,062	—	—	6,777,062
December 31, 2021	**5,304,452**	**241,268,306**	**3,050,272**	**(98,711,972)**	**(45,630,059)**	**105,280,997**

Common and preferred shares

According to the articles of association of the Company, up to 110,000,000 common shares and up to 110,000,000 preferred shares with a nominal value of €0.12 (€12 cent) per share are authorized to be issued. All shares are registered shares. No share certificates shall be issued.

As of December 31, 2021, following the at-the-market-transaction (see below) in the first quarter of 2021, the exercise of stock options in 2021 and the public offering of 15.000.000 shares, the issued capital of the Company is divided into 44,203,763 common shares (December 31, 2020: 28,228,415 common shares) with a par value of

€0.12 (€12 cent) per share. All issued shares are fully paid. 55,000,000 preferred shares with a par value of €0.12 (€12 cent) were created by the general meeting in 2021.

The Company`s general meeting of shareholders approved the right of an independent foundation under Dutch law, or protective foundation, to acquire up to 100% of the Company`s issued share capital held by others than the protective foundation, minus one share, pursuant to a call option agreement entered into between the Company and such foundation, in order to deter acquisition bids. The protective foundation is expected to enter into a finance arrangement with a bank or, subject to applicable restrictions under Dutch law, the protective foundation may request the Company to provide, or cause the Company`s subsidiaries to provide, sufficient funding to the protective foundation to enable it to satisfy its payment obligation under the call option agreement.

These preferred shares will have both a liquidation and dividend preference over the Company`s common shares and will accrue cash dividends at a pre-determined rate. The protective foundation would be expected to require us to cancel its preferred shares once the perceived threat to the Company and its stakeholders has been removed or sufficiently mitigated or neutralized. At year-end the call option does not represent a significant fair value due to the fact that the preference shares are restricted in use and can be cancelled by us as stated above.

The preferred shares in the Company's capital carry a limited entitlement to the Company's profit and reserves. As at 31 December 2021, 110,000,000 preferred shares in the Company's capital are recorded in the Company's articles of association.

Issued capital and share premium

On July 8, 2020, the Company filed with the United States Securities and Exchange Commission (SEC) a Form F-3 with respect to the offer and sale of securities of the Company (Registration Statement). The Company also filed with the SEC a prospectus supplement (Prospectus Supplement) relating to an at-the-market program providing for the sales of our stock over time of up to €43.5 million ($50.0 million) of its common shares pursuant to a Sales Agreement with SVB Leerink LLC. In 2020, the Company issued 1,958,186 common shares resulting in €9.0 million in net proceeds to the Company under this program.

During the fiscal year 2021, the Company issued 610,022 common shares under its at-the-market program resulting in €2.8 million in net proceeds. Following these and previous issuances under this program, the remaining value authorized for sale under the Sales Agreement amounts to $35.2 million.

On February 25, 2021, the Company sold an aggregate of 15,000,000 common shares through a public offering. The common shares were sold at a price of $5.00 per share and have a nominal value of €0.12 per share. For each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of $5.80. The warrants were exercisable immediately and expired on March 1, 2022. The shares and warrants were issued and the transaction closed on March 1, 2021 with gross offering proceeds to the Group from this offering being $75,0 million (€62,2 million), before deducting $4,5 million (€3,7 million) in underwriting discounts and other offering expenses of $0,4 million (€0,3 million). No warrants were exercised which expired on March 1, 2022.

Other legal reserve

Besides the minimum amount of share capital to be held under Dutch law and the translation reserve (2021: €3,050,272, 2020: €3,726,791), there are no distribution restrictions applicable to equity of the Company.

Other Reserves

The Company has adopted share-based compensation plans, pursuant to which the Company's directors, selected employees and consultants are granted the right to acquire common shares of the Company (note 4d of the consolidated financial statements). The share-based payment expenses are recorded in the profit and loss account. The plans are equity-settled. In case of an equity-settled plan, there is no obligation to transfer economic benefits, therefore the credit entry should be recognized as an increase in equity. The Company uses "Other reserves" as the equity classification.

Equity-settled share-based payment arrangements

During its historical financing rounds prior to 2016 as well as in 2016 InflaRx GmbH established equity-settled share-based payment programs. Those InflaRx GmbH options were converted into options for common shares of the Company in November 2017. Furthermore, the Company established an incentive plan (the "2017 Long-Term Incentive Plan") in conjunction with the closing of its initial public offering. From the before mentioned plans 4,207,111 share options were outstanding as of December 31, 2021 (2020: 3,389,763). Further details to options are disclosed in the table below and in Appendix A of this report under 'share-based payments.'

Share options outstanding 2021	January 1, 2021	Granted in 2021	Exercised in 2021	Forfeited in 2021	December 31, 2021
Plans prior to 2016	148,433	-	-	-	148,433
thereof exercisable					*148,433*
2016 Plan	1,094,852	-	(206,220)	-	888,632
thereof exercisable					*888,632*
2017 Long-Term Incentive Plan	2,146,478	1,219,074	(159,106)	(36,400)	3,170,046
thereof exercisable					***2,536,875***
	3,389,763	**1,219,074**	**(365,326)**	**(36,400)**	**4,207,111**

Share options outstanding 2020	January 1, 2020	Granted in 2020	Exercised in 2020	Forfeited in 2020	December 31, 2020
Plans prior to 2016	148,433	-	-	-	148,433
thereof exercisable					*148,433*
2016 Plan	1.181,484	-	(86,632)	-	1,094,852
thereof exercisable					*1,094,852*
2017 Long-Term Incentive Plan	2,181,105	246,188	(78,342)	(202,473)	2,146,478
thereof exercisable					*1,863,790*
	3,511,022	**246,188**	**(164,974)**	**(202,473)**	**3,389,763**

Unappropriated result

Appropriation of result of 2020:

The financial statements for the reporting year 2020 have been adopted by the General Meeting on June 26, 2021. The General Meeting has adopted the appropriation of the result after tax as proposed by the Board of Management.

Proposal for result appropriation:

The General Meeting will be proposed to carry forward the loss after tax for 2021 and deduct €45,628,974 from the other reserves.

The result after tax for 2021 is included in the item unappropriated result within equity.

11. Current liabilities

(EUR)	December 31, 2021	December 31, 2020
Accounts payable	105,928	11,925
Salaries	464,200	265,131
Liabilities to affiliated companies	—	12,839
Other liabilities	820,659	644,282
Total	**1,390,787**	**934,177**

Liabilities to affiliated companies resulted mainly from the charging of personnel expenses between the Company and its subsidiary InflaRx Pharmaceutical Inc. The liability is non-interest bearing.

Other liabilities include €718,089 accrued liabilities, for services rendered but not yet invoiced (2020: €533,183), €49,985 German income taxes on salaries and board compensation withheld by the Company (2020: €83,391) and accruals for statutory archive requirements (2021: €30,019, 2020: €27,708).

All current liabilities are due within one year.

12. Financial instruments

The Company's principal financial assets comprise securities and short-term deposits at commercial banks with a maturity on inception of three months or less. The main purpose of these financial instruments is to provide funds for the subsidiary's development activities. The Company's other financial instruments relate to other receivables and liabilities.

The risks associated with the Company financial instruments are like the ones disclosed in notes to the consolidated financial statements.

13. Other result, after tax

Other result, after tax includes the following income and expenses related to transactions with InflaRx GmbH or InflaRx Pharmaceuticals Inc.:

(EUR)	**December 31, 2021**	**December 31, 2020**
Expenses from intercompany charges	(1,325,080)	(1,142,902)
FX-result	191,110	216,197
Total	**(1,133,970)**	**(926,705)**

Expenses from intercompany charges are dominated by expenses charged from InflaRx Pharmaceuticals Inc. to the Company. The Company reimburses its subsidiary for cost related to employees that are predominantly working for the Company, like corporate legal services or business development services for the group.

14. Remuneration of the Board of Directors

The emolument as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial period to the company can be detailed as follows.

2021 Board of Directors' remuneration

In 2021 stock options were granted to the Board of Directors under the 2017 Equity Incentive Plan.

(EUR)	**Periodically paid compensation**	**Retirement benefit expenses**	**Variable compensation***	**Share based expense****
Executive directors				
Prof. Niels C. Riedemann, CEO	536,091	24,000	286,000	1,522,126
Prof. Renfeng Guo, CSO	412,896	15,050	228,745	1,195,957
Non-executive directors				
Nicolas Fulpius, Chairman, and Chairman of the Audit Committee	110,500	-	-	130,469
Anthony Gibney (since May, 19, 2021)	26,271	-	-	29,316
Richard Brudnick, Member of the Audit Committee	42,500	-	-	86,978
Mark Kübler, Member of the Audit Committee	52,500	-	-	86,978
Katrin Uschmann (until May 19, 2021)	15,883	-	-	***18,793
Lina Ma (until September 13, 2021)	24,633	-	-	****37,093
Total	**1,221,274**	**39,050**	**514,745**	**3,107,710**

** variable compensation is not based on pre-determined and measurable performance targets*
*** this includes 2017 Long-Term Incentive plan*
**** 15,000 options forfeited in 2021*
***** 16,400 options forfeited in 2021*

For further details and other information regarding related-party transactions as well as the Executive and Non-executive directors' compensation, reference is made to note 4c of the consolidated financial statements.

Share options not exercised 2021	Share options outstanding as of January 1, 2021	Share options granted in 2021	Share options exercised in 2021	Share options outstanding as of December 31, 2021	weighted average exercise price in €	weighted average remaining contractual life
Executive directors						
Prof. Niels C. Riedemann, CEO	1,224,707	462,007	-	1,686,714	3.04	6.6
Prof. Renfeng Guo, CSO	965,691	363,006	-	1,328,697	3.26	6.9
Non-executive directors						
Nicolas Fulpius, Chairman, and Chairman of the Audit Committee	34,464	39,601	-	74,065	3.56	6.7
Anthony Gibney (since May, 19, 2021)	11,667	16,418	-	28,085	9.89	7.3
Jens Holstein, Member of the Audit Committee (until July 16, 2020)	10,764	-	10,764	-	-	-
Richard Brudnick, Member of the Audit Committee	18,450	26,400	-	44,850	3.62	7.5
Mark Kübler, Member of the Audit Committee	41,772	26,400	-	68,172	3.08	6.0
Katrin Uschmann*	49,584	20,000	-	54,584	2.29	4.6
Lina Ma**	34,464	26,400	-	44,464	3.31	5.1
	2,391,563	**980,232**	**10,764**	**3,329,631**		

** 15,000 options forfeited in 2021*
*** 16,400 options forfeited in 2021*

2020 Board of Directors' remuneration

In 2020 no stock options were granted to the Board of Directors under the 2017 Equity Incentive Plan.

(EUR)	Periodically paid compensation	Retirement benefit expenses	Variable compensation*	Share based expense**
Executive directors				
Prof. Niels C. Riedemann, CEO	536,091	24,000	247,000	542,383
Prof. Renfeng Guo, CSO	431,094	12,267	204,770	490,728
Non-executive directors				
Nicolas Fulpius, Chairman, and Chairman of the Audit Committee	115,500	-	-	27,120
Jens Holstein, Member of the Audit Committee	23,588	-	-	***(58,693)
Richard Brudnick, Member of the Audit Committee	42,082			20,150
Mark Kübler, Member of the Audit Committee	43,179	-	-	27,120
Katrin Uschmann	30,000	-	-	27,120
Lina Ma	30,000	-	-	27,120
Total	1,251,534	36,267	451,770	1,103,048

** variable compensation is not based on pre-determined and measurable performance targets*
*** this includes 2017 Long-Term Incentive plan*
**** 7,686 options forfeited in 2020*

For further details and other information with regard to related-party transactions as well as the Executive and Non-executive directors' compensation, reference is made to note 4c of the consolidated financial statements.

Share options not exercised 2020	Share options outstanding as of January 1, 2020	Share options granted in 2020	Share options exercised in 2020	Share options outstanding as of December 31, 2020	weighted average exercise price in €	weighted average remaining contractual life
Executive directors						
Prof. Niels C. Riedemann, CEO	1,224,707	-	-	1,224,707	2.45	6.6
Prof. Renfeng Guo, CSO	965,691	-	-	965,691	2.73	7.0
Non-executive directors						
Nicolas Fulpius, Chairman, and Chairman of the Audit Committee	34,464	-	-	34,464	2.73	5.0
Jens Holstein, Member of the Audit Committee*	18,452	-	-	10,764	2.73	5.7
Richard Brudnick, Member of the Audit Committee	18,450	-	-	18,450	2.73	6.1
Mark Kübler, Member of the Audit Committee	41,772	-	-	41,772	2.25	5.1
Katrin Uschmann	49,584	-	-	49,584	1.90	5.1
Lina Ma	34,464	-	-	34,464	2.73	5.0
	2,387,584	-	-	**2,379,896**		

**** 7,686 options forfeited in 2020***

15. Employees

In addition to the board of directors the Company employed one employee in 2021, as well as in 2020. We do not employ any employees in the Netherlands.

16. Audit fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged to the Company, its subsidiaries and other consolidated entities.

(EUR)	Ernst & Young Accountants LLP 2021	Other EY network 2021	Total EY 2021
Audit of the financial statements	101,535	435,200	536,735
Other audit engagements	-	102,598	102,598
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	101,535	537,798	639,333

(EUR)	KPMG Accountants N.V. 2021	Other KPMG network 2021	Total KPMG 2021
Audit of the financial statements	-	30,000	30,000
Other audit engagements	-	75,000	75,000
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	-	105,000	105,000

(EUR)	Ernst & Young Accountants LLP 2020	Other EY network 2020	Total EY 2020
Audit of the financial statements	85,000	355,000	440,000
Other audit engagements	-	48,000	48,000
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	85,000	403,000	488,000

(EUR)	KPMG Accountants N.V. 2020	Other KPMG network 2020	Total KPMG 2020
Audit of the financial statements	-	15,750	15,750
Other audit engagements	-	65,000	65,000
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	-	80,750	80,750

17. Income taxes

Since January 1, 2018 InflaRx GmbH has distributed its losses to the Company under a profit and loss transfer agreement (tax group). Future losses of InflaRx GmbH will be transferred to the Company, reference is made to note 4.6 of the consolidated financial statements.

The Company has not recorded income tax gain or deferred tax assets in view of the negative operating results. The accumulated tax losses for the year amount to €141,965,443 (2020: €107,188,000).

18. Subsequent events

We refer to Appendix A, InflaRx N.V. Consolidated Financial Statements, 7.3 Significant events after the reporting date.

(signature page follows)

Signature page to the Dutch statutory board report of InflaRx N.V. for the fiscal year ended December 31, 2021.

By signing this signature page, the Dutch statutory board report of InflaRx N.V. for the fiscal year ended December 31, 202, the InflaRx N.V. 22021consolidated financial statements and the InflaRx N.V. 22021 company financial statements (appendices A and B, respectively) are approved.

_____	_____
N.C. Riedemann	R. Guo
_____	_____
N.F. Fulpius	M. Kubler
_____	_____
R. Brudnick	A. Gibney

OTHER INFORMATION

1.1 Profit appropriation provisions

Pursuant to our Articles of Association, any profits shown in the adopted statutory annual accounts of the Company shall be appropriated as follows, and in the following order of priority:

- to the extent that any preferred shares have been cancelled without full repayment as described in the articles of association and without such deficit subsequently having been paid in full, an amount equal to any such (remaining) deficit shall first be distributed to those who held those preferred shares at the moment of such cancellation becoming effective;

- if preferred shares are issued and outstanding and to the extent that the mandatory annual distribution on the preferred shares (i.e., an amount equal to the applicable interest rate calculated over the aggregate amount paid up on those preferred shares, calculated in accordance with the relevant provisions of the articles of association), or part thereof, in relation to previous financial years has not yet been paid in full, an amount equal to any such (remaining) deficit shall be distributed on the preferred shares;

- if preferred shares are issued and outstanding, the mandatory annual distribution (as described above under b.) payable on preferred shares shall then be distributed on the preferred shares;

- following those distributions, our board of directors shall determine which part of the remaining profits shall be added to the Company's reserves; and

- subject to a proposal by our board of directors to that effect, the remaining profits shall be at the disposal of our general meeting of shareholders for distribution on our common shares.

1.2 Shares carrying limited economic entitlement

The preferred shares in the Company's capital carry a limited entitlement to the Company's profit and reserves. As at 31 December 2021, no preferred shares in the Company's capital were issued.

1.3 Material subsequent events

We refer to Note ‘7.3 Significant events after the reporting date' in Appendix A – InflaRx N.V. Consolidated Financial Statements.

1.4 Branches

The Company has a branch registered in the commercial register of Jena, Germany.