



Annual financial statements as of March 31, 2021, and management report

TRANSLATION – AUDIT REPORT

Glenmark Arzneimittel GmbH
Gröbenzell, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

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Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

To Glenmark Arzneimittel GmbH, Gröbenzell

1 Audit engagement

At the shareholders' meeting held on August 3, 2020, of

Glenmark Arzneimittel GmbH, Gröbenzell,
– hereinafter also referred to as the 'Company' –

we were elected as auditor for financial year 2021. Accordingly, management has engaged us to audit the annual financial statements for the year ended March 31, 2021, together with the accounting records and the management report.

The terms governing this engagement are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2017, which are attached to this report as Appendix 4. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability toward third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of Management for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company’s position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, June 16, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Sd/-

[signature] Rüger
Wirtschaftsprüfer
[German Public Auditor]

Sd/-

[signature] Denk
Wirtschaftsprüfer
[German Public Auditor]



As a result of our audit, we found that the management report, as a whole, provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Please refer to Appendices 2 and 3 for the Company's business profile and legal status.

3.2 Late disclosure of prior year's annual financial statements and other required documents

Contrary to the requirement of Section 325 (1a) HGB, the Company failed to disclose the annual financial statements for the year ended March 31, 2020, as well as other required documentation, within twelve months of the end of the financial year. These were disclosed on May 19, 2021.

Phase III: Tests of details and analytical review of items in the annual financial statements

Performance of analytical reviews of items in the annual financial statements

Tests of details on a sample basis and assessment of individual items with a view to the accounting options and judgments exercised, e.g.:

- Existence, accuracy and recoverability of trade receivables and revenue
 - Existence, accuracy and valuation of inventories
 - Completeness and accuracy of trade payables and cost of materials
 - Completeness and accuracy of provisions for discounts and other liabilities
 - Obtaining confirmations from lawyers, tax advisors and banks
 - Obtaining confirmations of balances for the trade receivables and payables
 - Obtaining third-party confirmations for inventories
-

Review of disclosures in the notes and assessment of the management report

Phase IV: Overall assessment of audit results and reporting

Formation of the audit opinion on the basis of the overall assessment of audit results

Reporting in the audit report and the independent auditor's report

Detailed oral presentation of audit results to management

Our tests of details included requesting confirmations of balances from customers and suppliers. Based on our knowledge of the accounting-related internal controls and the type and scope of the transactions to be assessed, we determined representative samples.

We performed our audit (with interruptions) in the months of April to June 2021, until June 16, 2021.

All explanations and evidence requested by us were provided. The management confirmed in writing that the accounting records, the annual financial statements and the management report are complete.

6 Opinion on the overall presentation of the annual financial statements

6.1 Comments on the overall presentation

The accounting policies applied to the annual financial statement items comply, in all material respects, with the requirements of German commercial law applicable to corporations. These are described in the notes to the annual financial statements (see Appendix 1.3 Section 2).

The exercise of accounting and valuation options as well as accounting judgments with regard to the following annual financial statement items has a material effect on the Company's assets, liabilities, financial position and financial performance:

Distribution licenses

In prior years, the Company acquired two licenses for the sale of the active ingredients Aripiprazole and Pregabalin in Germany. Along with the direct license fees to the manufacturers, the fees for the approval of the medicines by the German Federal Institute for Drugs and Medical Devices [BfArM] were also recognized as incidental acquisition costs. In total, the historical cost for these two licenses amounted to KEUR 432 and was recognized in fixed assets. The licenses are amortized over the term of the contract; ten years for Aripiprazole and five years for Pregabalin.

Inventory valuation

The net sales prices used in the context of measuring inventory according to net realizable value as of the reporting date are considered to be non-auditable assumptions of the client. The Company can only estimate the planned sales volume as of the reporting date.

Deferred tax assets

The option of recognizing deferred tax assets provided under Section 274 (1) sentence 2 HGB was exercised.

Provisions for discounts

The Company distributes its products via wholesalers who supply pharmacies. Revenue is recognized, according to the invoice amount, when the deliveries are sent to the wholesalers. Pharmaceutical discount agreements have been concluded with various health insurance

7 Concluding remarks

This audit report has been prepared in accordance with the principles of Auditing Standard 450 (as amended), promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

We hereby confirm pursuant to Section 321 (4a) HGB that we have conducted our audit in accordance with the applicable independence regulations.

The independent auditor's report is presented in Section 2.

Munich, June 16, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Sd/-

Rüger
Wirtschaftsprüfer
[German Public Auditor]

Sd/-

Denk
Wirtschaftsprüfer
[German Public Auditor]

Appendices

Appendix 1
Annual financial
statements as of
March 31, 2021, and
management report

1.1 Balance sheet

1.2 Income statement

**1.3 Notes to the
financial statements**

1.4 Management report

Equity and Liabilities

	Mar. 31, 2021	Mar. 31, 2020
	EUR	EUR
A. Equity		
I. Subscribed capital	50,000.00	50,000.00
II. Capital reserve	1,293,500.00	1,293,500.00
III. Retained earnings	6,204,403.73	3,312,643.09
IV. Net income for the year	3,117,312.53	2,891,760.64
	10,665,216.26	7,547,903.73
B. Provisions		
1. Tax provisions	1,298,458.19	1,352,357.65
2. Other provisions	38,329,295.79	41,889,803.52
	39,627,753.98	43,242,161.17
C. Liabilities		
1. Trade payables	31,305,510.17	30,441,928.54 ¹
– thereof due within one year:		
EUR 31,305,510.17 (PY: EUR 30,441,928.54) –		
2. Liabilities to affiliated companies	2,925,770.70	677,818.15
– thereof due within one year:		
EUR 2,925,770.70 (PY: EUR 677,818.15) –		
3. Other liabilities	1,797,709.60	1,747,761.87 ¹
– thereof for taxes: EUR 1,789,759.85 (PY: EUR 1,734,153.97) –		
– thereof for social security:		
EUR 8,545.66 (PY: EUR 7,983.55) –		
– thereof due within one year:		
EUR 1,797,709.60 (PY: EUR 1,747,761.87) –		
	36,028,990.47	32,867,508.56
	86,321,960.71	83,657,573.46

¹ Subsequent change in disclosure as the rebate liabilities to health insurers are shown as trade payables and not other liabilities in the 2020/2021 audit report.

Glenmark Arzneimittel GmbH, Gröbenzell

Income statement for the period from April 1, 2020, to March 31, 2021

	2020/2021		2019/2020	
	EUR	EUR	EUR	EUR
1. Revenue		36,095,249.12		40,355,103.17
2. Other operating income		179,183.37		101,763.05
– thereof income from currency translation: EUR 0.00 (PY: EUR 819.24) –				
		36,274,432.49		40,456,866.22
3. Cost of materials				
Cost of raw materials and consumables as well as purchased goods		23,435,738.88		26,289,084.48
4. Personnel expenses				
a) Wages and salaries	2,813,753.78		2,725,399.32	
b) Social security, pension and other benefits	22,963.25	2,836,717.03	462,189.90	3,187,589.22
– thereof for pensions: EUR 8,879.15 (PY: EUR 8,301.19) –				
		10,001,976.58		10,980,192.52
5. Amortization of intangible assets and depreciation of property, plant and equipment		42,028.79		91,313.46
6. Other operating expenses		6,382,369.45		7,844,856.92
– thereof expenses from currency translation: EUR 7,394.57 (PY: EUR 862.30) –				
7. Interest and similar income		1,052,610.00		1,017,073.17
– thereof from affiliated companies: EUR 1,052,610.00 (PY: EUR 1,017,073.17) –				
8. Interest and similar expenses		293,285.59		76,145.22
9. Income taxes		1,218,844.22		1,092,286.45
– thereof income from the allocation to and reversal of deferred taxes: EUR 0.00 (PY: EUR 3,534.83) –				
10. Earnings after taxes		3,118,058.53		2,892,663.64
11. Other taxes		746.00		903.00
12. Net income for the year		3,117,312.53		2,891,760.64

Glenmark Arzneimittel GmbH, Gröbenzell

Notes to the financial statements for the 2020/2021 financial year

1. General information

The annual financial statements of Glenmark Arzneimittel GmbH, based in Gröbenzell (Munich commercial register, HRB 188342), were prepared in accordance with the provisions of the German Commercial Code [HGB]. With the exception of liabilities (refer to the footnote under liabilities), the stated values of the prior-year figures were adopted unchanged. The income statement was prepared using the total cost (nature of expense) method.

The relevant provisions of the German Limited Liability Companies Act [GmbHG] were also observed.

2. Accounting policies

The accounting and valuation of fixed assets is based on the assumption that the Company will continue as a going concern.

Items were recognized and valued in accordance with general recognition and valuation requirements.

Intangible assets acquired for a consideration were stated at cost less straight-line amortization based on useful lives of 3 years.

Property, plant and equipment were recognized at cost less straight-line depreciation based on useful lives of between 3 and 23 years.

Low-value assets as defined by Section 6 (2) of the German Income Tax Act [EStG] are written off in full in the year of acquisition.

Inventories relate to merchandise, which are recognized at cost. If the fair value of inventories is lower as of the balance sheet date, this value is stated.

Receivables and other assets are stated at nominal value, taking all foreseeable risks into account.

Cash and cash equivalents are stated at nominal value.

3. Explanatory notes on individual items of the balance sheet

Statement of movements in fixed assets (gross) as of March 31, 2021

The classification of and movements in fixed assets are shown in the statement of movements in fixed assets.

Movements in fixed assets: property, plant and equipment – cost

	Cost Apr. 1, 2020	Additions	Disposals	Reclassifications	Cost Mar. 31, 2021
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	476,326.87				476,326.87
Intangible assets	476,326.87				476,326.87
II. Property, plant and equipment					
Other equipment, operating and office equipment	320,755.77	16,856.76			337,612.53
Property, plant and equipment	320,755.77	16,856.76			337,612.53
	797,082.64	16,856.76			813,939.40

Receivables and other assets

Receivables with a remaining term of more than one year of EUR 50,597.87 (PY: EUR 50,597.87) are recognized under other assets.

Receivables from affiliated companies

As of the reporting date, current receivables from affiliated companies amount to EUR 44,544,408.27 (PY: EUR 45,426,829.90). These largely relate to current receivables from a loan to a group company.

Deferred taxes

Deferred taxes are measured with a company-specific tax rate of 27.375%.

Deferred taxes relate to the difference between the calculation of the provision for holidays for financial reporting and tax purposes.

Restriction on distribution

A total amount of EUR 10,358.69 is subject to a restriction on distribution pursuant to Section 268 (8) HGB. This can be attributed in full to the recognition of deferred tax assets.

Provisions

	Mar. 31, 2021	Mar. 31, 2020
	EUR	EUR
Provisions for income taxes	1,298,458.19	1,352,357.65
Provision for personnel expenses	538,574.58	525,905.85
Provision for adherence to retention periods	38,976.00	38,976.00
Other provisions	102,111.64	359,823.00
Provision for discounts under Section 130a of the German Social Security Code V [SGB V]	37,529,633.57	40,855,098.67
Provision for the preparation and audit of financial statements	120,000.00	110,000.00

Transactions not included in the balance sheet and other financial obligations

There were no off-balance sheet transactions according to Section 285 (3) and (3a) HGB that would be material for the evaluation of the Company's financial performance.

In addition to the liabilities shown in the balance sheet, other financial obligations amount to KEUR 195.

These are broken down as follows:

- KEUR 56 vehicle leasing
- KEUR 139 rental obligations for business premises

Events subsequent to the closing date

There were no significant events after the end of the financial year under review that were not taken into account in the income statement or in the balance sheet.

Managing Directors:

Last name	First name	Profession
Wilhelm	Barbara	Managing Director
Bourne	Oliver	Managing Director
Gupta	Achin	Managing Director

Gröbenzell, June 16, 2021

Sd/-

Barbara Wilhelm

Sd/-

Oliver Bourne

Sd/-

Achin Gupta

Glenmark Arzneimittel GmbH, Gröbenzell

Management report for the 2020/2021 financial year
from April 1, 2020, to March 31, 2021

1. Status of the Company

1.1 Business model and corporate structure

Glenmark Pharmaceuticals Ltd. is a research-based, global pharmaceutical company based in Mumbai, India. The company focuses on the discovery of innovative chemical and biological molecules. Glenmark also offers a broad portfolio of generic medicines. Glenmark employs around 11,000 employees across over 80 countries and operates 17 manufacturing facilities and 5 cutting-edge research and development centers (one of which is located in Neuchâtel in Switzerland). Glenmark Pharmaceuticals Ltd. ranks among the top 80 pharma and biotech companies globally.

(Source: Evaluate Pharma, www.evaluategroup.com)

Since being set up in 2010, the German subsidiary Glenmark Arzneimittel GmbH, based in Gröbenzell near Munich, has established itself as one of the top 20 pharmaceutical companies in the German generics segment with its high-quality medicines. Glenmark's portfolio includes many indication groups, with a focus on the central nervous system (CNS), cardiovascular system and respiratory system. Glenmark is a contractual partner to statutory health insurance funds in relation to numerous products, contributing to the provision of accessible and affordable medicines. As a distribution and trading company, Glenmark Arzneimittel GmbH does not engage in any research and development activities.

1.2 Management system

The Company is managed on the basis of a budget that has been coordinated with the parent company. In addition to the income statement and balance sheet, other key figures are included in the monthly reporting package submitted to the parent company. Target/actual comparisons and deviation analyses are performed based on these values.

The main financial performance indicators are revenue and EBIT.

Inventories increased year on year by EUR 1.43 million to EUR 9.47 million. This was essentially driven by a decrease in sales, which was largely due to the coronavirus pandemic. Inventories were increased already in Q1 in order to safeguard the Company's ability to deliver.

Overall receivables and other assets decreased by EUR 2.62 million. The business loan extended to a group company of EUR 43.50 million was maintained steady in this financial year. Receivables decreased year on year by EUR 2.23 million as of the reporting date. This reduction was largely due to a decrease in receivables from affiliated companies and a decline in trade receivables (EUR 1.35 million) on account of an increase in incoming payments as of the reporting date. Other assets decreased by EUR 0.39 million.

Cash and cash equivalents increased by EUR 4.05 million to EUR 23.97 million over the prior year. The increase in cash and cash equivalents is due to the year-on-year rise in liabilities as of the reporting date (EUR 3.16 million).

There were only very minor changes in the remaining balance sheet items on the asset side.

On the liabilities side, equity rose by EUR 3.12 million to EUR 10.66 million compared to the prior year.

Simultaneously, there is also a EUR 3.16 million increase in liabilities, which was due, on the one hand, to a rise in liabilities relating to discounts for health insurance funds of EUR 0.86 million and, on the other hand, the increase in liabilities to affiliated companies of EUR 2.25 million.

Other provisions decreased by EUR 3.56 million to EUR 38.33 million in the reporting period. The decline in provisions was mainly connected to the discounts awarded as part of invitations to tender put out by health insurance funds. The reduction in this case was due to a decline in revenue. Although Glenmark Arzneimittel GmbH's market share remained approximately unchanged, the total market declined, which was mainly due to the public restrictions caused by the coronavirus pandemic.

3.2 Financial performance in financial year 2020/2021

Glenmark Arzneimittel GmbH reported a EUR 0.23 million increase in net income in the year under review. Revenue from operating activities decreased by 10.56% compared to the prior year to EUR 36.10 million in the reporting year. Thus, we were not able to achieve prior year's growth forecast of 6%. The decline in revenue was caused by the drop in the overall market for Glenmark Arzneimittel GmbH's portfolio due to the COVID-19 restrictions in Germany. Despite the decline in revenue, we were able to fulfill EBIT expectations.

This increase in net income for the year was mainly due to reduced marketing expenses in the amount of EUR 0.70 million, a decline in costs for purchasing goods by EUR 2.85 million and a decrease in other operating expenses by EUR 0.88 million.

Personnel expenses decreased year on year by 11.01% and the total amount of amortization and depreciation declined year on year by 53.97%.

5. Risks and opportunities

5.1 Opportunities

Glenmark Arzneimittel GmbH's business activities are influenced mainly by invitations to tender put out by the statutory health insurance funds and the associated market structure.

As the manufacturing of a large part of the portfolio is backwardly integrated with the group headquarters, the Company has cost structures which will continue to ensure growth and competitiveness in the future.

Glenmark Arzneimittel GmbH will continue to concentrate on concluding discount agreements in the future and is progressively tapping new therapeutic target groups.

The planned expansion of the portfolio follows a strategic concept, which is driven by the Glenmark Group both in Europe and globally.

This opportunity is considered to be medium based on continuous monitoring of new tenders issued by all statutory health insurance providers.

5.2 Risks

Procurement risks

Glenmark Arzneimittel GmbH specializes in the distribution of finished medicinal products; without any manufacturing activities of its own, it is dependent on the reliability of suppliers. Through continuous supervision, any difficulties with suppliers can be avoided to the greatest extent possible. To this aim, the specialist departments keep in regular contact with their suppliers. Nevertheless, unexpected incidents out of our control can lead to a partial or total failure in the supply of merchandise, or to delays. This represents a risk for Glenmark Arzneimittel GmbH.

On account of the current situation with regard to the coronavirus pandemic, we also assume that by virtue of our international drug production facilities there is a threat of delivery bottlenecks also in the current year. If further security measures are introduced by regional governments, both production and logistics could be adversely affected. To be able to continue to ensure our ability to deliver, we gradually increased our local inventories already in the most recent financial year. It should also be noted that the development of the coronavirus pandemic and the associated containment measures taken by the countries affected are subject to uncertainty for Glenmark Arzneimittel GmbH. To be able to respond to the changing conditions at all times, the latest developments are continuously being reviewed by both the Company and the parent company.

This risk is considered to be medium due to the continuous supervision.

Through the market introduction of new products, expansion of the market share for the existing portfolio and further expansion of internal structures, management expects positive earnings overall in the coming year.

The current developments in connection with the protracted coronavirus pandemic may continue to present the Company with challenges, particularly in procurement. To be able to ensure our ability to deliver, local inventories were already gradually increased. Furthermore, according to the current level of knowledge, management assumes that the restrictions on daily life implemented on account of the coronavirus pandemic will be gradually relaxed in the second half of 2021/2022.

On the basis of the factors described, the Company expects a 5% increase in revenue and unchanged EBIT for financial year 2020/2021.

Due to the forecast character of all statements that relate to the future, actual results may differ significantly from expected developments.

Gröbenzell, June 16, 2021

Sd/-

Barbara Wilhelm

Sd/-

Oliver Bourne

Sd/-

Achin Gupta