



# Annual financial statements as of March 31, 2022, 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.

# Table of contents

<b>1</b>	<b>Audit engagement</b>	<b>1</b>
<b>2</b>	<b>Reproduction of the independent auditor's report</b>	<b>2</b>
<b>3</b>	<b>Basic findings</b>	<b>6</b>
3.1	Evaluation of management's assessment of the Company's position	6
<b>4</b>	<b>Performance of the audit</b>	<b>8</b>
4.1	Scope of the audit	8
4.2	Nature and scope of audit procedures	8
<b>5</b>	<b>Findings on accounting and financial reporting</b>	<b>10</b>
5.1	Accounting records and related documents	10
5.2	Annual financial statements	10
5.3	Management report	10
<b>6</b>	<b>Opinion on the overall presentation of the annual financial statements</b>	<b>11</b>
6.1	Comments on the overall presentation	11
6.2	Conclusion on the overall presentation of the annual financial statements	12
<b>7</b>	<b>Concluding remarks</b>	<b>13</b>

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

# Appendices

<b>Annual financial statements as of March 31, 2022, and management report</b>	<b>1</b>
Balance sheet as of March 31, 2022	1.1
<del>Income statement for the period from April 1, 2021, to March 31, 2022</del>	<del>1.2</del>
<del>Notes to the financial statements for the 2021/2022 financial year</del>	<del>1.3</del>
Management report for the 2021/2022 financial year from April 1, 2021, to March 31, 2022	1.4
<b>Business profile</b>	<b>2</b>
<b>Legal status</b>	<b>3</b>
<b>General Engagement Terms</b>	<b>4</b>

To Glenmark Arzneimittel GmbH, Gröbenzell

# 1 Audit engagement

At the shareholders' meeting held on August 2, 2021, of

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

we were elected as auditor for financial year 2021/2022. Accordingly, management has engaged us to audit the annual financial statements for the year ended March 31, 2022, 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.

## 2 Reproduction of the independent auditor's report



### **Independent Auditor's Report**

To Glenmark Arzneimittel GmbH, Gröbenzell

#### **Opinions**

We have audited the annual financial statements of Glenmark Arzneimittel GmbH, Gröbenzell, which comprise the balance sheet as of March 31, 2022, the income statement for the financial year from April 1, 2021 to March 31, 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Glenmark Arzneimittel GmbH for the financial year from April 1, 2021 to March 31, 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of March 31, 2022, and of its financial performance for the financial year from April 1, 2021 to March 31, 2022, in accordance with German legally required accounting principles, and
- the accompanying 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.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

## **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, principles and standards 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.

## **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- 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.

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# 3 Basic findings

## 3.1 Evaluation of management's assessment of the Company's position

In our opinion, the following key statements in the management report are noteworthy:

- The key performance indicators for corporate management are revenue and EBIT. Revenue from operating activities decreased by 0.19 % compared to the prior year to EUR 36.21 million in the reporting year. In total, EBIT equaled EUR 3.04 million.
- Glenmark Arzneimittel GmbH reported a EUR 0.38 million decline in net income in the year under review.
- Glenmark Arzneimittel GmbH's total assets decreased year on year by 6.57 % to EUR 80.65 million (PY: EUR 86.32 million).
- On the liabilities side, equity rose year on year by EUR 2.74 million to EUR 13.40 million.
- The Company finances itself predominantly from cash flows from operating activities. Despite a decline in cash and cash equivalents, the Company's current financial position in the financial year 2021/2022 is solid, as in previous years. No external financing takes place, therefore no credit lines have been established with banks. Cash and cash equivalents decreased by EUR 9.61 million to EUR 14.36 million compared to the prior year. The decline in cash and cash equivalents was due to the reduction in liabilities as of the reporting date.
- The management of Glenmark Arzneimittel GmbH considered the 2021/2022 financial year to be a stagnate but successful year.
- 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, it can be assumed that by virtue of the international drug production facilities there is a threat of delivery bottlenecks also in the current year. If new security measures are introduced by regional governments, both production and logistics could be adversely affected. To be able to continue to ensure the ability to deliver, the Company gradually increased their 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.

- It is very likely that further significant price changes will occur, whether due to statutory requirements or new providers entering the market. In relation to new products, it is expected that list prices drop considerably in the coming years. In addition, a further decline in quotation prices under discount agreements is expected. To counteract these risks, Glenmark Arzneimittel GmbH is broadening and diversifying the portfolio.
- Cost of materials is the main cost element for Glenmark Arzneimittel GmbH. In this regard, a distinction must be drawn between backwardly integrated products from group manufacturing facilities and products from external suppliers. For manufacturing within the group, it is assumed that commodity prices, and therefore also the market prices of the finished goods, will remain at current levels or sink even further. For products from external suppliers, the Company has concluded long-term supply agreements to safeguard procurement costs.
- The current developments in the context of the Ukraine crisis are perceived by the management and reviewed on an ongoing basis. According to the current status, however, this will not have any direct impact on the Company.
- The high price pressure due to the discount agreements with health insurance funds increases the importance of diversifying the portfolio further and exploring new therapeutic target groups. This requires a selective approach coupled with targeted marketing measures. This will be a main focus for coming financial years.
- As a result of the effects described, for financial year 2022/2023, the Company expects a 6 % increase in revenue and a slightly lower EBIT compared with the financial year 2021/2022.

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.

# 4 Performance of the audit

## 4.1 Scope of the audit

We have audited the annual financial statements of Glenmark Arzneimittel GmbH, which comprise the balance sheet, the income statement and the notes to the financial statements, including the accounting records, and the management report, for the financial year ended March 31, 2022.

Our responsibility is to express an opinion on these annual financial statements and the management report based on our audit.

An audit only covers compliance with other regulations to the extent that these other regulations can be expected to have an impact on the annual financial statements or the management report.

Pursuant to Section 317 (4a) HGB, an audit is not intended to extend to whether the Company's ability to continue as a going concern or the effectiveness and efficiency of management can be assured.

## 4.2 Nature and scope of audit procedures

The general principles of our audit approach are already presented in the "independent auditor's report" (see Section 2 of this report). In addition, we provide the following information on our audit approach and audit performance:

### Phase I: Development of an audit strategy focused on business risks

Obtaining an understanding of the Company's business as well as knowledge of the accounting systems and the internal control system

Establishing audit focus areas based on our risk assessment:

- Setup, establishment, and effectiveness of internal controls in the area of purchasing and distribution
- Audit of the process of preparing the financial statements
- Value and existence of merchandise
- Completeness and valuation of provisions
- Accruals in revenue recognition
- Completeness and accuracy of trade payables and cost of materials

Establishing the audit strategy and timeline for the audit

Selecting the audit team and planning the deployment of specialists

## **Phase II: Selection and implementation of control-based audit procedures**

Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems

Assessment of the design and effectiveness of selected accounting-related controls

## **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.:

- 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 in the months of April to June 2022, until June 7, 2022.

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.

# 5 Findings on accounting and financial reporting

## 5.1 Accounting records and related documents

The Company's accounting records have been properly kept and maintained. The accounting records and related documents are properly authorized, sufficiently explained and filed in an orderly manner. Based on our findings, the accounting records and related documents comply with German legal requirements.

### 5.2 Annual financial statements

The annual financial statements as of March 31, 2022, presented to us for audit, were properly derived from the Company's accounting records and related documents. The opening balance sheet figures were properly carried forward from prior year's annual financial statements. The German legal recognition, presentation and measurement requirements have been observed, in all material respects.

The balance sheet and income statement have been prepared, in all material respects, in accordance with the provisions of German commercial law applicable to corporations, including the German legally required accounting principles. The notes to the financial statements include all legally required information.

The disclosure relief based on size provided by Section 288 (2) HGB has been correctly and partially applied.

The use of the safeguard clause of Section 286 (4) HGB is justified.

### 5.3 Management report

The management report prepared by management complies, in all material respects, with German legal requirements.

# 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.

### **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 funds; these agreements provide for certain medicines of the Company to be exclusively or partially exclusively supplied to customers of the health insurance fund concerned (generally relating to active ingredients). In return, the Company grants a discount on the selling price that is used to form the basis for the revenue recognition. In general, a considerable period of time passes between distribution to the wholesaler and delivery to the end customer.

At year end, the Company calculates a provision for discounts to be granted using the volumes delivered to the wholesalers and the average discount granted per packaging unit. The latter is determined based on a weighted average.

The discounts are deducted from revenue. At year-end, KEUR 39,367 was recognized in the balance sheet as provisions for discounts and revenue was reduced by KEUR 84,796 due to discounts.

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The following transactions were carried out which had a material effect on the overall presentation of the annual financial statements:

#### **Factoring agreement**

The Company concluded a non-recourse factoring agreement with BNP Paribas Factor GmbH, Düsseldorf. BNP Paribas Factor GmbH purchases all outstanding trade receivables, which fulfill the requirements set forth under Section 2 of the agreement that has been concluded. In addition, BNP Paribas Factor GmbH assumes the del credere risk; accounts receivable management remains with the Company. As of the reporting date, KEUR 8,383 of trade receivables had been sold to BNP Paribas Factor GmbH.

## **6.2 Conclusion on the overall presentation of the annual financial statements**

Based on an overall consideration of the accounting policies and material transactions described above, we are of the opinion that the annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company and of its financial performance in accordance with German legally required accounting principles.

Appendix 1  
Annual financial  
statements as of  
March 31, 2022, and  
management report

**1.1 Balance sheet**

**1.2 Income statement**

**1.3 Notes to the  
financial statements**

**1.4 Management report**



# Glenmark Arzneimittel GmbH, Gröbenzell

## Assets

	Mar. 31, 2022		Mar. 31, 2021	
	EUR	EUR	EUR	EUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration		65,680.01		73,077.31
<b>II. Property, plant and equipment</b>				
Other equipment, operating and office equipment		95,073.02		98,492.55
		<b>160,753.03</b>		<b>171,569.86</b>
<b>B. Current assets</b>				
<b>I. Inventories</b>				
Finished goods and merchandise		11,391,075.54		9,469,836.59
<b>II. Receivables and other assets</b>				
1. Trade receivables	953,097.60		155,080.76	
2. Receivables from affiliated companies	45,026,249.93		44,544,408.27	
3. Other assets	8,644,399.61	54,623,747.14	7,996,127.31	52,695,616.34
<b>III. Cash and cash equivalents</b>				
		14,362,419.38		23,974,579.23
		<b>80,377,242.06</b>		<b>86,140,032.16</b>
<b>C. Prepaid expenses</b>		<b>115,368.75</b>		<b>0.00</b>
<b>D. Deferred tax assets</b>		<b>0.00</b>		<b>10,358.69</b>
		<b>80,653,363.84</b>		<b>86,321,960.71</b>

## Equity and Liabilities

	Mar. 31, 2022	Mar. 31, 2021
	EUR	EUR
<b>A. Equity</b>		
I. Subscribed capital	50,000.00	50,000.00
II. Capital reserve	1,293,500.00	1,293,500.00
III. Retained earnings	9,321,716.26	6,204,403.73
IV. Net income for the year	2,737,025.34	3,117,312.53
	<b>13,402,241.60</b>	<b>10,665,216.26</b>
<b>B. Provisions</b>		
1. Tax provisions	1,796,606.19	1,298,458.19
2. Other provisions	40,083,016.59	38,329,295.79
	<b>41,879,622.78</b>	<b>39,627,753.98</b>
<b>C. Liabilities</b>		
1. Trade payables	20,554,881.74	31,305,510.17
– thereof due within one year:		
EUR 20,554,881.74 (PY: EUR 31,305,510.17) –		
2. Liabilities to affiliated companies	3,339,485.66	2,925,770.70
– thereof due within one year:		
EUR 3,339,485.66 (PY: EUR 2,925,770.70) –		
3. Other liabilities	1,477,132.06	1,797,709.60
– thereof for taxes: EUR 1,468,935.78 (PY: EUR 1,789,759.85) –		
– thereof for social security:		
EUR 8,196.28 (PY: EUR 8,545.66) –		
– thereof due within one year:		
EUR 1,477,132.00 (PY: EUR 1,797,709.60) –		
	<b>25,371,499.46</b>	<b>36,028,990.47</b>
	<b>80,653,363.84</b>	<b>86,321,960.71</b>

# Glenmark Arzneimittel GmbH, Gröbenzell

## Income statement for the period from April 1, 2021, to March 31, 2022

	2021/2022		2020/2021	
	EUR	EUR	EUR	EUR
1. Revenue		36,120,341.39		36,095,249.12
2. Other operating income		86,251.99		179,183.37
		<b>36,206,593.38</b>		<b>36,274,432.49</b>
3. Cost of materials				
Cost of raw materials and consumables as well as purchased goods		22,860,172.38		23,435,738.88
4. Personnel expenses				
a) Wages and salaries	2,770,087.77		2,813,753.78	
b) Social security, pension and other benefits	19,467.24	2,789,555.01	22,963.25	2,836,717.03
– thereof for pensions: EUR 0.00 (PY: EUR 8,879.15) –				
		<b>10,556,865.99</b>		<b>10,001,976.58</b>
5. Amortization of intangible assets and depreciation of property, plant and equipment		40,713.96		42,028.79
6. Other operating expenses		7,476,841.42		6,382,369.45
– thereof expenses from currency translation: EUR 10,015.12 (PY: EUR 7,394.57) –				
7. Interest and similar income		1,012,125.00		1,052,610.00
– thereof from affiliated companies: EUR 1,012,125.00 (PY: EUR 1,052,610.00) –				
8. Interest and similar expenses		173,244.61		293,285.59
9. Income taxes		1,140,128.66		1,218,844.22
– thereof income from the allocation to and reversal of deferred taxes: EUR 10,358.69 (PY: EUR 0.00) –				
<b>10. Earnings after taxes</b>		<b>2,738,062.34</b>		<b>3,118,058.53</b>
11. Other taxes		1,037.00		746.00
<b>12. Net income for the year</b>		<b>2,737,025.34</b>		<b>3,117,312.53</b>

## **Glenmark Arzneimittel GmbH, Gröbenzell**

### **Notes to the financial statements for the 2021/2022 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] for medium-sized corporations. 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 amortization based on useful lives of 3 years.

Property, plant and equipment were recognized at cost less 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.

For all fixed assets, amortization and depreciation were made, where necessary, to the lower fair value.

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.

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tax assets. Deferred tax assets were determined using the balance sheet item method (temporary concept).

Equity is stated at nominal value.

Tax provisions and other provisions take account of all identifiable risks and contingent liabilities and are stated in the full amount of their anticipated use. Where permitted under commercial law, the provisions were calculated in line with tax requirements.

Liabilities were recognized at their settlement amount.

The annual financial statements include items denominated in foreign currencies, which are translated to euro. Receivables and liabilities denominated in foreign currency are translated at the average spot exchange rate applicable on the reporting date.

### **Revenue recognition**

Revenue is recognized when the risks and rewards of ownership are transferred to the purchaser. The transfer of the risks and rewards occurs upon receipt of the goods by the purchaser.

### 3. Explanatory notes on individual items of the balance sheet

#### Statement of movements in fixed assets (gross) as of March 31, 2022

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

##### Movements in fixed assets – cost

	Cost Apr. 1, 2021 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	Cost Mar. 31, 2022 EUR
<b>I. Intangible assets</b>					
1. 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	4,891.25	0.00	0.00	481,218.12
<b>Intangible assets</b>	<b>476,326.87</b>	<b>4,891.25</b>	<b>0.00</b>	<b>0.00</b>	<b>481,218.12</b>
<b>II. Property, plant and equipment</b>					
1. Other equipment, operating and office equipment	298,642.89	26,774.17	0.00	0.00	325,417.06
<b>Property, plant and equipment</b>	<b>298,642.89</b>	<b>26,774.17</b>	<b>0.00</b>	<b>0.00</b>	<b>325,417.06</b>
	<b>774,969.76</b>	<b>31,665.42</b>	<b>0.00</b>	<b>0.00</b>	<b>806,635.18</b>

##### Movements in fixed assets – accumulated amortization and depreciation

	Accumulated amortization, depreciation Apr. 1, 2021 EUR	Amortization, depreciation during the financial year EUR	Dis- posals EUR	Reclassi- fications EUR	Accumulated amortization, depreciation Mar. 31, 2022 EUR	Book value Mar. 31, 2022 EUR	Book value Mar. 31, 2021 EUR
<b>I. Intangible assets</b>							
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	400,966.23	14,571.88	0.00	0.00	415,538.11	65,680.01	75,360.64 <sup>1</sup>
<b>Intangible assets</b>	<b>400,966.23</b>	<b>14,571.88</b>	<b>0.00</b>	<b>0.00</b>	<b>415,538.11</b>	<b>65,680.01</b>	<b>75,360.64</b>
<b>II. Property, plant and equipment</b>							
1. Other equipment, operating and office equipment	204,201.96	26,142.08	0.00	0.00	230,334.04	95,073.03	94,440.93 <sup>1</sup>
<b>Property, plant and equipment</b>	<b>204,201.96</b>	<b>26,142.08</b>	<b>0.00</b>	<b>0.00</b>	<b>230,334.04</b>	<b>95,073.03</b>	<b>94,440.93</b>
	<b>605,168.19</b>	<b>40,713.96</b>	<b>0.00</b>	<b>0.00</b>	<b>645,872.15</b>	<b>160,753.04</b>	<b>169,801.57</b>

<sup>1</sup> Due to IT changes, the values carried forward in intangible assets do not match the balance sheet by EUR 2,283.33 and in property, plant and equipment by EUR 4,051.61.

## 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

EUR 45,026,249.93 (PY: EUR 44,544,408.27). These largely relate to current receivables from a loan to a group company.

## Deferred taxes

Deferred taxes in the prior year were measured with a company-specific tax rate of 27.375 %.

## Restriction on distribution

A total amount of EUR 0.00 (PY: EUR 10,358.69) is subject to a restriction on distribution pursuant to Section 268 (8) HGB. This was attributed in full to the recognition of deferred tax assets.

## Provisions

	Mar. 31, 2022	Mar. 31, 2021
	EUR	EUR
Provisions for income taxes	1,796,606.19	1,298,458.19
<b>Provisions for taxes</b>	<b>1,796,606.19</b>	<b>1,298,458.19</b>
Provision for personnel expenses	442,833.64	538,574.58
Provision for adherence to retention periods	38,976.00	38,976.00
Other provisions	128,775.00	102,111.64
Provision for discounts under Section 130a of the German Social Security Code V [SGB V]	39,367,431.95	37,529,633.57
Provision for the preparation and audit of financial statements	105,000.00	120,000.00
<b>Other provisions</b>	<b>40,083,016.59</b>	<b>38,329,295.79</b>

## **Liabilities to affiliated companies**

Liabilities to affiliated companies amounted to EUR 3,339,485.66 (PY: EUR 2,925,770.70) as of the reporting date. These relate solely to trade payables.

## **4. Other disclosures**

### **Parent company**

Glenmark Arzneimittel GmbH is included in the consolidated financial statements of Glenmark Pharmaceuticals Ltd., headquartered in Mumbai, India, which prepares the consolidated financial statements for the smallest and largest group of consolidated companies. The consolidated financial statements are available at [www.glenmarkpharma.com](http://www.glenmarkpharma.com).

### **Employees**

The Company had an average of 28.70 (PY: 33.00) employees in the financial year.

### **Managing directors' remuneration**

Management's total remuneration is not disclosed as the exemption clause of Section 286 (4) HGB has been applied, as only one managing director receives remuneration from the Company.

### **Auditor's fee**

Total fees paid to the auditor for the financial year were EUR 40,000.00. This fee consists of EUR 40,000.00 for statutory audit services.

### **Appropriation of profit**

The financial year 2021/2022 closed out with net income for the year of EUR 2,737,025.34. This was added to the retained earnings brought forward from the prior year of EUR 9,321,716.26, resulting in an accumulated profit of EUR 12,058,741.60. The management proposes to carry forward the accumulated profit to the following year.



**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, a total amount of KEUR 232 in other financial obligations exists.

These are broken down as follows:

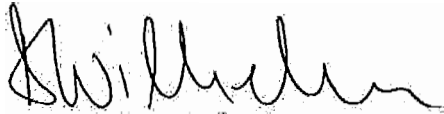
- KEUR 94 vehicle leasing
- KEUR 139 rental obligations for business premises

**Events subsequent to the closing date**

There were no significant events after the end of the financial year.

**Managing Directors:**

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



Barbara Wilhelm



Oliver Bourne

# **Glenmark Arzneimittel GmbH, Gröbenzell**

Management report for the 2021/2022 financial year  
from April 1, 2021, to March 31, 2022

## **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](http://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.

## **2. Market and sector situation**

### **2.1 Overall economic development**

The year 2021 was another turbulent year for the German economy. Until the spring, economic development was primarily characterized by the pandemic and corresponding ~~short-term effects on GDP rose by 2.8% in the past year. The German government~~ expects real gross domestic product (GDP) to rise by 2.2% in the current year.

(Source: <https://www.bmwk.de/Redaktion/DE/Artikel/Wirtschaft/Projektionen-der-Bundesregierung/projektionen-der-bundesregierung-fruehjahr-2022.html>)

### **2.2 Sector development**

Revenue in the overall German generics market totaled EUR 5.88 billion in 2021 (-0.28% compared to 2020), based on manufacturer's delivery prices without deducting compulsory manufacturer discounts and without taking patient contributions and returns from discount agreements into account (Data: INSIGHT Health, March 2022).

Among pharmaceutical companies in the German generics segment, Glenmark Arzneimittel GmbH was at number 13 ranked by sales volume in the reporting year (Data: INSIGHT Health, March 2022). The figure forecast in the prior year was thus achieved.

## **3. Business development**

The assets, liabilities, financial performance and financial position in financial year 2021/2022 are discussed in detail in the following section.

### **3.1 Assets and liabilities in financial year 2021/2022**

Glenmark Arzneimittel GmbH's total assets decreased by 6.57% to EUR 80.65 million compared to the prior year (PY: EUR 86.32 million).

Fixed assets declined to EUR 0.16 million due to amortization and depreciation and was subject to only very minor changes.

Inventories increased year on year by EUR 1.92 million to EUR 11.39 million. This increase was initiated primarily to ensure delivery capability.

Overall receivables and other assets increased by EUR 1.93 million. The business loan extended to a group company of EUR 43.50 million was maintained steady in this financial year. Receivables increased year on year by EUR 1.28 million as of the reporting date. This effect is composed of an increase in receivables from affiliated companies (EUR 0.48 million) and an increase in trade receivables (EUR 0.80 million), which is due to a high amount in incoming payments as of the reporting date. Other assets increased by EUR 0.65 million.

Cash and cash equivalents decreased by EUR 9.61 million to EUR 14.36 million over the prior year. The decrease in cash and cash equivalents is due to the year-on-year fall in trade payables as of the reporting date (EUR 10.75 million), which mainly result from discounts for health insurance funds.

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

On the liabilities side, equity rose by EUR 2.74 million to EUR 13.40 million compared to the prior year.

Other provisions increased by EUR 1.75 million to EUR 40.08 million in the reporting period. The increase in provisions was mainly connected to the discounts awarded as part of invitations to tender put out by health insurance funds. The increase is the result of numerous contracts awarded in public procurement procedures.

### 3.2. Financial performance in financial year 2021/2022

Glenmark Arzneimittel GmbH reported a EUR 0.38 million decline in net income in the year under review. Revenue from operating activities decreased by 0.19 % compared to the prior year to EUR 36.21 million in the reporting year. Thus, we were not able to achieve prior year's growth forecast of 5 %. Stagnating revenues were caused by the drop in the overall market for Glenmark Arzneimittel GmbH's portfolio due to the COVID-19 restrictions in Germany. In this context, it should be noted that particularly in the fourth quarter of the financial year, recovery effects were felt in the market, which were also positively reflected in the Company's revenues. Due to stagnating revenues, we were not able to fully fulfill EBIT expectations. This decline in net income for the year was mainly due to an increase in other operating expenses by EUR 1.09 million. This is mainly due to the increase in regulatory costs of EUR 0.64 million and marketing expenses of EUR 0.22 million.

Personnel expenses decreased year on year by 1.7 % and the total amount of amortization and depreciation declined year on year by 3.1 %.

EBIT amounted to EUR 3.04 million overall. It thus fell short of prior year's forecast figure (EUR 3.58 million) by EUR 0.54 million. In addition, there was net interest income of EUR 0.84 million, which is mainly due to the interest on the business loan granted to a group company.

### 3.3 Financial position in financial year 2021/2022

The Company finances itself predominantly from cash flows from operating activities. Despite a decline in cash and cash equivalents, the Company's current financial position in the financial year 2021/2022 is solid, as in previous years. No external financing takes place, therefore no credit lines have been established with banks. Cash and cash equivalents decreased by EUR 9.61 million to EUR 14.36 million compared to the prior year. The decline in cash and cash equivalents was due to the reduction in liabilities as of the reporting date.

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### 4. Management's overall assessment of financial year 2021/2022

The management of Glenmark Arzneimittel GmbH considered the 2021/2022 financial year to be a stagnant but successful year.

Cost pressure in the field of pharmaceutical generics consistently remains high and is influenced by the discount agreements with health insurance funds. Glenmark Arzneimittel GmbH has achieved its objective to retain its position as one of the top 15 pharmaceutical companies in the generics segment. In addition to new discount agreements for the existing portfolio, the portfolio was further diversified through new preparations.

Besides the main segment of neurology, the pain segment in particular was also further expanded in the prior year and new preparations were successfully placed on the market. The introduction of new products in these business areas, coupled with targeted marketing measures, will ensure steady growth in the future. To further diversify the business, in the year under review, clinic sales were started to be established as an additional sales channel.

In this regard, the discount agreements with statutory health insurance funds are still of major importance for Glenmark Arzneimittel GmbH. Despite a tough environment, the Company was able to carry on with its successes of the prior years for its overall portfolio.

The further differentiation of the portfolio combined with timely marketing measures constantly improves Glenmark Arzneimittel GmbH's presence with pharmacies and doctors. Management considers this a key basis for the Company to grow steadily in future.

## 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 new 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 low to medium due to the continuous supervision, accompanied by sufficient safety distances and increasing relaxations by state governments.

### Price risks

It is very likely that further significant price changes will occur, whether due to statutory ~~regulations or market conditions~~ expect the list prices to drop considerably in the coming years. We also expect quotation prices under discount agreements to fall further. To counteract these risks, we are broadening and diversifying the portfolio. This risk is considered medium.

### Cost risks

Cost of materials is the main cost element for Glenmark Arzneimittel GmbH. In this regard, a distinction must be drawn between backwardly integrated products from group manufacturing facilities and products from external suppliers. For manufacturing within the group, it is assumed that commodity prices, and therefore also the market prices of the finished goods, will remain at current levels or sink even further. This is evidenced for example by the changes in the cost of sales in the current financial year. For products from external suppliers, we have concluded long-term supply agreements to safeguard procurement costs.

The current developments in the context of the Ukraine crisis are perceived by the management and reviewed on an ongoing basis. According to the current status, however, this will not have any direct impact on the Company.

This risk is considered low.

### Overall conclusion on the risk situation

Accounting for measures taken to manage risks, management did not identify any risks that individually or collectively pose a threat to the Company's assets, liabilities, financial position and financial performance in such a way as to affect the Company's ability to continue as a going concern. Risks that are as yet unknown or considered immaterial could gain in importance should there be a change in general conditions. The Company has set up organizational conditions for obtaining knowledge on emerging changes to the risk situation early, and to react adequately to such changes.

## **6. Outlook for financial year 2022/2023**

The high price pressure due to the discount agreements with health insurance funds increases the importance of diversifying the portfolio further and exploring new therapeutic target groups. This requires a selective approach coupled with targeted marketing measures. This will be a main focus for coming financial years. The aim is to further expand our market share and to continue to maintain our company as one of the top 15 pharma companies in the German generics segment.

In the current financial year, we already successfully participated in tender processes for discount agreements with health insurance funds. This includes the aim of setting up and expanding the market shares, as well as strategic considerations of the entire Glenmark Group.

Through the market introduction of new products, expansion of the market share for the existing portfolio and further expansion of internal structures, management expects a positive net result 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.

As a result of the effects described, for financial year 2022/2023, the Company expects a 6 % increase in revenue and a slightly lower EBIT compared with the financial year 2021/2022.

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



Barbara Wilhelm



Oliver Bourne



# Business profile

<b>Field of activity</b>	Production, export, import, storage and sale of pharmaceutical products and their components for use in human medicine and dentistry, of dietetics, cosmetics and herbal preparations and their components and all associated activities.
<b>Employees</b>	The average number of employees during the financial year is stated in the Company's notes to the financial statements (Appendix 1.3).
<b>Significant contracts</b>	<p>The following significant company agreements are in place for the performance of the aforementioned business services:</p> <ul style="list-style-type: none"><li>- Factoring agreement with BNP Paribas Factor GmbH, Düsseldorf, dated September 20, 2017.</li><li>- Service agreement with SK Pharma Logistics GmbH, Bielefeld, dated February 5, 2021.</li><li>- Service agreement with Settele &amp; Partner, Augsburg, dated June 21, 2013.</li></ul>

# Legal status

<b>Date of formation</b>	September 7, 2010
<b>Registered name</b>	Glenmark Arzneimittel GmbH
<b>Registered office</b>	Gröbenzell
<b>Articles of Association</b>	Articles of Association dated September 7, 2010
<b>Commercial register</b>	Munich District Court: HRB 188342; last extract dated April 20, 2022.
<b>Company's purpose</b>	Production, export, import, storage and sale of pharmaceutical products and their components for use in human medicine and dentistry, of dietetics, cosmetics and herbal preparations and their components and all associated activities.
<b>Financial year</b>	April 1 to March 31 of the subsequent year
<b>Subscribed capital</b>	EUR 50,000.00
<b>Shareholder</b>	The sole shareholder is Glenmark Holding SA with registered office in La Chaux-De-Fonds, Switzerland.
<b>Prior year's financial statements</b>	At the shareholders' meeting held on August 2, 2021, (1) the annual financial statements as of March 31, 2021, prepared by management, audited by us and provided with an unqualified audit opinion, were presented together with the management report, and the annual financial statements were approved; (2) it was resolved that the net profit of EUR 3,117,312.53 reported as of March 31, 2021, be carried forward in full; and (3) management was granted discharge for financial year 2020/2021.
<b>Size of the Company</b>	The Company is a medium-sized corporation within the meaning of Section 267 (2) HGB.
<b>Managing director(s)</b>	The members of management are listed in the Company's notes to the financial statements (Appendix 1.3).
<b>Tax status</b>	The Company files with the Fürstentfeldbruck Tax Office under tax number 117/127/51004.