



Annual financial statements as of March 31, 2024, and management report

TRANSLATION – AUDIT REPORT

Glenmark Arzneimittel GmbH
Gröbenzell, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

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To Glenmark Arzneimittel GmbH, Gröbenzell

1 Audit engagement

At the shareholders' meeting held on August 29, 2023, of

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

we were elected as auditor for financial year 2023/2024. Accordingly, management has engaged us to audit the annual financial statements for the year ended March 31, 2024, 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 2. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

2 Reproduction of the independent auditor's report

Based on the results of our audit, we have issued the following unqualified audit opinion:



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, 2024, the income statement for the financial year from April 1, 2023, to March 31, 2024, 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, 2023, to March 31, 2024.

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 business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of March 31, 2024, and of its financial performance for the financial year from April 1, 2023, to March 31, 2024, in compliance 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 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 the 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 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 the risk of not detecting a material misstatement 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 opinions. 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.

Munich, May 23, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

[*signature*] Rüger
Wirtschaftsprüfer
[German Public Auditor]

[*signature*] Denk
Wirtschaftsprüfer
[German Public Auditor]



3 Evaluation of management's assessment of the Company's position

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

- Glenmark Arzneimittel GmbH reported a EUR 0.41 million decline in net income in the year under review. Revenue from operating activities increased year on year by 15.4 %, reaching EUR 44.94 million in the reporting year. Thus, prior year's growth forecast of 5.0 % was achieved. The increase in revenue in the past financial year was accompanied by a rise in costs of EUR 6.58 million. This was mainly due to a EUR 2.41 million increase in the cost of sales and a EUR 1.89 million increase in license costs. This effect caused net income for the year to fall by EUR 0.41 million.
- Glenmark Arzneimittel GmbH's total assets increased by 19.4 % to EUR 101.90 million compared to the prior year (PY: EUR 85.35 million).
- On the liabilities side, equity rose by EUR 1.20 million to EUR 16.22 million compared to the prior year.
- The Company finances itself predominantly from cash flows from operating activities. The Company's current financial position remains as solid in financial year 2023/2024 as in prior years. No external financing takes place, therefore no credit lines have been established with banks. Cash and cash equivalents increased year on year by EUR 9.48 million to EUR 43.88 million. The increase in cash and cash equivalents is largely due to positive business performance.
- The management of Glenmark Arzneimittel GmbH considers the 2023/2024 financial year to be a successful one.
- 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 beyond the control of the Company may lead to a partial or total failure in the supply of merchandise or to a failure to deliver on time. This represents a risk for Glenmark Arzneimittel GmbH.
- To be able to ensure its ability to deliver on an ongoing basis, the Company has gradually been increasing its local inventories over the last two financial years. It should be noted here that the much-discussed supply bottlenecks currently being experienced by active ingredient producers also represent a source of 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.
- It is likely that further significant price changes will occur, whether due to statutory requirements or new providers entering the market. In relation to new products, Glenmark Arzneimittel GmbH expects the list prices to drop considerably in the coming years. The Company also expects quotation prices under discount agreements to fall further. To counteract these risks, the Company is broadening and diversifying its portfolio. This risk is considered medium.

- 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, the Company has concluded long-term supply agreements to safeguard procurement costs.
- Management is aware of the current developments in connection with the Ukraine crisis and is continuously monitoring them. However, as things currently stand, the Company is not directly affected by this.
- 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 here is to further expand the Company's market share and to further establish the Company among the top 15 pharma companies in the German generics segment.
- Due to the aforementioned effects, the Company expects revenue to increase by 5.0 % in financial year 2024/2025 and EBIT to remain the same as in financial year 2023/2024.

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.

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, 2024.

Our responsibility is to express an opinion on the 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 "Reproduction of 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:

- Design, implementation and effectiveness of internal controls in the area of procurement and distribution
- Audit of the process of preparing the annual financial statements
- Impairment and availability of the goods
- Completeness and valuation of provisions
- Revenue recognition cut-off
- 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 opinions 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. These were selected based on our knowledge of the accounting-related internal controls system as well as the nature and extent of the transactions to be assessed by means of representative sampling of the items to be audited.

We performed our audit in the months of April and May 2024 until May 23, 2024.

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, 2024, 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 protective clause referred to in Section 286 (4) HGB has been properly applied.

5.3 Management report

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

6 Opinion on the overall presentation of the annual financial statements

6.1 Comments on overall presentation

The accounting policies applied to the annual financial statement items, in all material respects, comply with the requirements of German commercial law applicable to business 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 52,776 was recognized in the balance sheet as provisions for discounts and revenue declined by KEUR 107,950 due to discounts.

The following transaction was 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 7,672 of trade receivables had been sold to BNP Paribas Factor GmbH.

Inventory valuation

With regard to the impairment test at the end of the year, Glenmark Arzneimittel GmbH itself does not compare inventories with the selling price or with sales forecasts. The Company justifies this in the transfer price agreement within the Group, which Glenmark Arzneimittel GmbH controls by making compensation payments towards the target margin.

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.

7 Concluding remarks

This audit report has been prepared in accordance with the principles of Auditing Standard 450 (as amended) (10.2021), 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, May 23, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Rüger
Wirtschaftsprüfer
[German Public Auditor]

Denk
Wirtschaftsprüfer
[German Public Auditor]

Appendices

Appendix 1

Annual financial statements as of March 31, 2024, 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

Balance sheet as of March 31, 2024

Assets

| | Mar. 31, 2024 | | Mar. 31, 2023 | |
|--|---------------|-----------------------|---------------|----------------------|
| | EUR | EUR | EUR | EUR |
| A. Fixed assets | | | | |
| 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 | | 35,068.87 | | 50,374.44 |
| II. Property, plant and equipment | | | | |
| Other equipment, operating and office equipment | | 116,724.83 | | 106,238.39 |
| | | 151,793.70 | | 156,612.83 |
| B. Current assets | | | | |
| I. Inventories | | | | |
| Finished goods and merchandise | | 13,917,994.06 | | 10,312,804.65 |
| II. Receivables and other assets | | | | |
| 1. Trade receivables | 2,238,625.47 | | 1,405,556.75 | |
| 2. Receivables from affiliated companies | 35,538,101.16 | | 32,790,069.97 | |
| 3. Other assets | 6,170,545.19 | 43,947,271.82 | 6,167,965.21 | 40,363,591.93 |
| III. Cash and cash equivalents | | 43,878,192.78 | | 34,402,860.70 |
| | | 101,743,458.66 | | 85,079,257.28 |
| C. Prepaid expenses | | 0.00 | | 113,009.25 |
| | | 101,895,252.36 | | 85,348,879.36 |

Equity and liabilities

| | Mar. 31, 2024 | Mar. 31, 2023 |
|--|-----------------------|----------------------|
| | 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 brought forward | 13,670,093.10 | 12,058,741.60 |
| IV. Net income for the year | 1,202,013.83 | 1,611,351.50 |
| | 16,215,606.93 | 15,013,593.10 |
| B. Provisions | | |
| 1. Tax provisions | 605,566.44 | 968,461.44 |
| 2. Other provisions | 55,081,959.82 | 39,999,405.98 |
| | 55,687,526.26 | 40,967,867.42 |
| C. Liabilities | | |
| 1. Trade payables | 26,005,914.80 | 27,160,836.82 |
| – thereof due within one year: | | |
| EUR 26,005,914.80 (PY: EUR 27,160,836.82) – | | |
| 2. Liabilities to affiliated companies | 822,971.27 | 1,178,566.36 |
| – thereof due within one year: | | |
| EUR 822,971.27 (PY: EUR 1,178,566.36) – | | |
| 3. Other liabilities | 3,163,233.10 | 1,028,015.66 |
| – thereof for taxes: EUR 3,152,414.05 (PY: EUR 1,017,409.13) – | | |
| – thereof for social security: | | |
| EUR 10,819.05 (PY: EUR 10,516.34) – | | |
| – thereof due within one year: | | |
| EUR 3,163,233.10 (PY: EUR 1,028,015.66) – | | |
| | 29,992,119.17 | 29,367,418.84 |
| | 101,895,252.36 | 85,348,879.36 |

Glenmark Arzneimittel GmbH, Gröbenzell

Income statement for the period from April 1, 2023, to March 31, 2024

| | 2023/2024 | | 2022/2023 | |
|--|--------------|----------------------|--------------|----------------------|
| | EUR | EUR | EUR | EUR |
| 1. Revenue | | 44,939,237.72 | | 38,959,498.43 |
| 2. Other operating income | | 74,162.68 | | 90,312.25 |
| | | 45,013,400.40 | | 39,049,810.68 |
| 3. Cost of materials | | | | |
| Cost of raw materials, supplies and purchased goods | | 29,195,006.59 | | 26,786,217.99 |
| 4. Personnel expenses | | | | |
| a) Wages and salaries | 4,052,945.36 | | 3,645,159.72 | |
| b) Social security, pension and other benefits | 69,848.77 | 4,122,794.13 | 44,502.39 | 3,689,662.11 |
| | | 11,695,599.68 | | 8,573,930.58 |
| 5. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment | | 52,903.71 | | 55,702.70 |
| 6. Other operating expenses | | 10,914,701.57 | | 7,390,420.74 |
| – thereof expenses from currency translation: EUR 51,044.73 (PY: EUR 11,657.75) – | | | | |
| 7. Interest and similar income | | 1,538,166.67 | | 1,329,873.13 |
| – thereof from affiliated companies: EUR 1,538,166.67 (PY: EUR 1,329,873.13) – | | | | |
| 8. Interest and similar expenses | | 605,499.72 | | 233,923.73 |
| 9. Income taxes | | 457,745.52 | | 611,594.04 |
| 10. Earnings after taxes | | 1,202,915.83 | | 1,612,162.50 |
| 11. Other taxes | | 902.00 | | 811.00 |
| 12. Net income for the year | | 1,202,013.83 | | 1,611,351.50 |

Glenmark Arzneimittel GmbH, Gröbenzell

Notes to the financial statements for financial year 2023/2024

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.

All fixed assets are written down to the lower fair value where necessary.

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.

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 risks and rewards occurs at the time the goods are received by the purchaser.

3. Explanatory notes on individual items of the balance sheet

Statement of movements in fixed assets (gross) as of March 31, 2024

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, 2023 EUR | Additions EUR | Disposals EUR | Reclassifications EUR | Cost Mar. 31, 2024 EUR |
|---|-----------------------------|------------------|------------------|--------------------------|------------------------------|
| I. Intangible assets | | | | | |
| 1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration | 481,218.12 | 0.00 | 0.00 | 0.00 | 481,218.12 |
| Intangible assets | 481,218.12 | 0.00 | 0.00 | 0.00 | 481,218.12 |
| II. Property, plant and equipment | | | | | |
| 1. Other equipment, operating and office equipment | 376,979.56 | 48,084.58 | 0.00 | 0.00 | 425,064.14 |
| Property, plant and equipment | 376,979.56 | 48,084.58 | 0.00 | 0.00 | 425,064.14 |
| | 858,197.68 | 48,084.58 | 0.00 | 0.00 | 906,282.26 |

Movements in fixed assets – accumulated amortization, depreciation and write-downs

| | Accumulated amortization, depreciation and write-downs Apr. 1, 2023 EUR | Amortization, depreciation and write-downs during the financial year EUR | Disposals EUR | Reclassifications EUR | Accumulated amortization, depreciation and write-downs Mar. 31, 2024 EUR | Book value Mar. 31, 2024 EUR | Book value Mar. 31, 2023 EUR |
|---|---|---|------------------|--------------------------|--|------------------------------------|------------------------------------|
| I. Intangible assets | | | | | | | |
| 1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration | 430,843.68 | 15,305.57 | 0.00 | 0.00 | 446,149.25 | 35,068.87 | 50,374.44 |
| Intangible assets | 430,843.68 | 15,305.57 | 0.00 | 0.00 | 446,149.25 | 35,068.87 | 50,374.44 |
| II. Property, plant and equipment | | | | | | | |
| 1. Other equipment, operating and office equipment | 270,741.17 | 37,598.14 | 0.00 | 0.00 | 308,339.31 | 116,724.83 | 106,238.39 |
| Property, plant and equipment | 270,741.17 | 37,598.14 | 0.00 | 0.00 | 308,339.31 | 116,724.83 | 106,238.39 |
| | 701,584.85 | 52,903.71 | 0.00 | 0.00 | 754,488.56 | 151,793.70 | 156,612.83 |

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 35,538,101.16 (PY: EUR 32,790,069.97). These largely relate to current receivables from a loan to a group company.

Provisions

| | Mar. 31, 2024 | Mar. 31, 2023 |
|---|----------------------|----------------------|
| | EUR | EUR |
| Provisions for income taxes | 605,556.44 | 968,461.44 |
| Tax provisions | 605,556.44 | 968,461.44 |
| Provision for personnel expenses | 725,358.53 | 654,142.66 |
| Provision for adherence to retention periods | 38,976.00 | 38,976.00 |
| Other provisions | 1,392,076.00 | 155,000.00 |
| Provision for discounts under Section 130a of the German Social Security Code V [SGB V] | 52,775,760.54 | 39,011,287.32 |
| Provision for the preparation and audit of financial statements | 149,788.75 | 140,000.00 |
| Other provisions | 55,081,959.82 | 39,999,405.98 |

Liabilities to affiliated companies

Liabilities to affiliated companies amounted to EUR 822,971.27 (PY: EUR 1,178,566.36) 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., 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.

Employees

The Company had an average of 28.92 (PY: 27.23) employees in the financial year. This segmentation is based on departments:

| Department | Average number of employees |
|----------------------|-----------------------------|
| Management | 1.00 |
| Business development | 2.75 |
| Finance | 1.83 |
| Sales & marketing | 6.85 |
| Tender management | 3.44 |
| Supply chain | 1.25 |
| Pharmacovigilance | 4.35 |
| Quality control | 3.83 |
| Regulatory affairs | 2.67 |
| Administration | 0.96 |

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 55,000.00.

This fee consists of EUR 55,000.00 for audit services.

Appropriation of profit

The financial year 2023/2024 closed with net income for the year of EUR 1,202,013.83. After offsetting this against the retained earnings brought forward from the prior year of EUR 13,670,093.10, retained earnings amounted to EUR 14,872,106.93. Management proposes to carry forward the retained earnings to new account.

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 a total of EUR 277,771.39.

These are broken down as follows:

- EUR 110,833.36 Vehicle leasing
- EUR 166,938.03 Rental obligations for business premises

Events subsequent to the closing date

No material events have occurred subsequent to the balance sheet date.

Managing Directors:

| Last name | First name | Profession |
|-----------|------------|-------------------|
| Wilhelm | Barbara | Managing Director |
| Bourne | Oliver | Managing Director |
| de Faria | Robson | Managing Director |

Gröbenzell, March 29, 2024

Barbara Wilhelm

Oliver Bourne

Robson de Faria

Glenmark Arzneimittel GmbH, Gröbenzell

Management report for the 2023/2024 financial year

from April 1, 2023, to March 31, 2024

1. Status of the Company

1.1 Business model and corporate structure

Glenmark Pharmaceuticals Ltd. is an international research-based pharmaceutical company. The focus of the Company is on conducting research on innovative chemical and biological active ingredients. Glenmark also offers a broad portfolio of generic medicines. Glenmark has around 15,000 employees in over 80 countries and, in addition to running 10 production sites, it operates four cutting-edge research centers. 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 of major health insurance funds for many of its products, thus contributing to a broad range of affordable medicines.

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

According to the German Federal Statistical Office's preliminary calculations, Germany's GDP, adjusted for inflation, fell by 0.3% in 2023. As was the case in the prior year, economic development was mainly determined by the impact of the energy price crisis in conjunction with a pronounced weakness in the global economy and the increasingly noticeable effects of a tighter monetary policy. This was exacerbated by exceptionally high sickness rates, which weighed on the overall volume of work in the economy. All of this had a more sustained negative impact on the German economy than had been assumed at the beginning of last year and led to a delay in economic recovery.

For 2024, the German government is forecasting an increase in price-adjusted gross domestic product of 0.2% in its annual projection.

(Source:

https://www.bmwk.de/Redaktion/DE/Publikationen/Wirtschaft/jahreswirtschaftsbericht-2024.pdf?__blob=publicationFile&v=6)

2.2 Sector development

Revenue in the overall German generics market totaled EUR 6.64 billion in financial year 2023/24 (+4.15% compared to 2022/23) 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 2024).

Among pharmaceutical companies in the German generics segment, Glenmark Arzneimittel GmbH was at number 12 ranked by sales volume in the reporting year (Data: INSIGHT Health, March 2024). As a result, the forecast was achieved. The figure forecast in the prior year was thus achieved.

3. Business development

The assets, liabilities, financial performance and financial position in financial year 2023/2024 are discussed in detail in the following section.

3.1 Assets and liabilities in financial year 2023/2024

Glenmark Arzneimittel GmbH's total assets increased by 19.4% to EUR 101.90 million compared to the prior year (PY: EUR 85.35 million).

Fixed assets declined to EUR 0.15 million due to amortization and depreciation and were subject to only very minor changes.

In order to secure the increased business volume, inventories increased year on year by EUR 3.61 million, reaching EUR 13.92 million.

Due to the increased volume of business, receivables and other assets rose by a total of EUR 3.58 million. This increase is made up of an increase in receivables from affiliated companies (EUR 2.74 million) and an increase in trade receivables (EUR 0.82 million).

Cash and cash equivalents achieved a year-on-year rise of EUR 9.47 million, climbing to EUR 43.88 million. The increase in cash and cash equivalents was due to positive business performance compared to the prior year.

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

On the liabilities side, equity rose by EUR 1.20 million to EUR 16.22 million compared to the prior year.

At the same time, liabilities and provisions also increased by EUR 15.34 million, mainly as a result of an increase in liabilities relating to discounts for health insurance.

Other provisions increased by EUR 15.08 million to a total of EUR 55.08 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. In this context, the significant change was due to renegotiated contracts in connection with public tender procedures.

3.2 Financial performance in financial year 2023/2024

Glenmark Arzneimittel GmbH reported a EUR 0.41 million decline in net income in the year under review. Revenue from operating activities increased year on year by 15.4%, reaching EUR 44.94 million in the reporting year. Thus, prior year's growth forecast of 5% was achieved. The increase in revenue in the past financial year was accompanied by a rise in costs of EUR 6.58 million. This was mainly due to a EUR 2.41 million increase in the cost of sales and a EUR 1.89 million increase in approval costs. This effect caused net income for the year to fall by EUR 0.41 million.

Personnel expenses increased year on year by 11.74% and the total amount of depreciation and amortization declined by 5.0% compared to the prior year.

In total, EBIT amounted to EUR 0.73 million. The prior-year forecast was thus not fully met, due in particular to the increased cost of sales. In addition, there was net interest income of EUR 0.93 million, which was mainly due to the interest on the business loan granted to a group company.

3.3 Financial position in financial year 2023/2024

The Company finances itself predominantly from cash flows from operating activities. The Company's current financial position remains as solid in financial year 2023/2024 as in prior years. No external financing takes place, therefore no credit lines have been established with banks. Cash and cash equivalents increased year on year by EUR 9.48 million to EUR 43.88 million. The increase in cash and cash equivalents is largely due to positive business performance.

4. Management's overall assessment of financial year 2023/2024

The management of Glenmark Arzneimittel GmbH considers financial year 2023/2024 to be a successful one.

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 pharma companies in the generics segment. In addition to new discount agreements for the existing portfolio, the portfolio was further diversified through new preparations.

The main segments of neurology, pain and respiratory diseases were further expanded in the past financial year and new preparations were successfully placed on the market. The introduction of new products, coupled with targeted marketing measures, will also ensure steady growth in the future. In order to further increase diversification, clinic sales were also driven forward as an additional sales channel in the past financial year.

The discount agreements with statutory health insurance funds continue to be of great 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.

To be able to ensure our ability to deliver on an ongoing basis, we have gradually been increasing our local inventories over the last two financial years. It should be noted here that the much-discussed supply bottlenecks currently being experienced by active ingredient producers also represent a source of 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 in the low to medium range due to ongoing monitoring and sufficient safety stocks.

Price risks

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 our new products, we 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.

Management is aware of the current developments in connection with the Ukraine crisis and is continuously monitoring them. However, as things currently stand, the Company is not directly affected by this.

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 2024/2025

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 here is to further expand our market share and to further establish the Company among 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 positive earnings overall in the coming year.

In order to ensure our ability to continue to deliver in the future, local inventories have been gradually increased.

Due to the aforementioned effects, the Company expects revenue to increase by 5% in financial year 2024/25 and EBIT to remain the same or see a slight increase compared to financial year 2023/24.

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

Gröbenzell, May 2, 2024

Barbara Wilhelm

Oliver Bourne

Robson de Faria

Appendix 2

General Engagement Terms

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.