

**Hormosan Pharma Gesellschaft mit be-  
schränkter Haftung  
Frankfurt am Main, Germany**

**Audit report**

Long-form Report on the Audit of the  
Financial Statements and Management Report  
for the Financial Year  
from 1 April 2023 to 31 March 2024

**TRANSLATION**

– German version prevails –



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## Appendices

### **1 Management Report and Annual Financial Statements**

Management Report

Balance Sheet

Profit and Loss Account

Notes to the Financial Statements

**General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms)**

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We would like to point out that there may be differences due to the use of rounded amounts and percentages because of commercial rounding.

## **1 Audit Engagement**

By resolution of the shareholder's meeting of 1 October 2023 of

**Hormosan Pharma Gesellschaft mit beschränkter Haftung,  
Frankfurt am Main, Germany**

– hereinafter referred to as “Hormosan” or “Company” –

we were elected as independent auditors for the financial year from 1 April 2023 to 31 March 2024. Based on this resolution, the Company's executive directors then engaged us to audit the financial statements for the 2023/2024 financial year in accordance with Section 317 of the German Commercial Code [HGB].

In accordance with Section 321 Paragraph 4a of the German Commercial Code [HGB] we confirm that our audit was conducted in compliance with the applicable regulations on independence.

Our long-form audit report was prepared in accordance with German Generally Accepted Standards for the Preparation of Long-form Audit Reports (promulgated by the Institute of Public Auditors in Germany (IDW) – Auditing Standard IDW PS 450 revised (10.2021)).

The scope of the engagement and our responsibilities thereunder, also towards third parties, are governed by our agreements dated 21/22 June 2023 and additionally by the attached “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and German Public Audit Firms)” as of 1 January 2017.

This long-form audit report has been prepared solely for documenting the audit work performed to the Company and not for third party purposes, to whom we do not accept liability in accordance with the legal position pursuant to Section 323 of the German Commercial Code [HGB].

## **2 Fundamental Findings**

### **Opinion on the executive directors' assessment of the position of the Company**

We draw attention to the following aspects of the financial statements, the management report of the executive directors, as well as other audited documents which are of particular relevance in assessing of the economic position of the Company:

- Sales revenues of Hormosan have increased to EUR 47.3 million (prior year: EUR 44.5 million).

Sales revenues from the sale of medicinal products grew by 9.3% (EUR 3.7 million), as new products were launched in the inhalation segment, as well as benefiting from delivery problems of individual competitors. Income

from the provision of services to affiliated companies amounting to EUR 3.4 million was achieved (prior year: EUR 4.4 million).

- The net profit for the year amounted to EUR 5.0 million (prior year: EUR 5.7 million).

The cost of materials increased slightly compared to the previous year from EUR 22.4 million to EUR 22.9 million, whereby the cost of materials ratio (cost of materials in relation to sales) of 48.4% is below the previous year's figure of 50.3%. The decline is due to a change in the product mix. Personnel expenses amounted to EUR 7.7 million (prior year: EUR 6.9 million) due to the increase in the number of employees from 69 to 77 and salary increases in the reporting year.

Other operating expenses increased by 24.0% from EUR 7.7 million to EUR 9.6 million and include expenses for scientific information and advertising amounting to EUR 3.4 million (prior year: EUR 2.8 million), costs for temporary staff totalling EUR 1.6 million (prior year: EUR 0.8 million) and legal and consulting costs of EUR 1.4 million (prior year: EUR 1.0 million). Income tax expenses amounted to EUR 2.3 million (prior year: EUR 1.8 million).

- Total assets increased to EUR 45.3 million (prior year EUR 43.5 million).

Inventories increased by EUR 2.7 million to EUR 13.5 million as stocks of high-turnover goods were increased. At EUR 6.9 million, trade receivables were below the previous year's figure of EUR 7.6 million. Cash and cash equivalents amounted to EUR 20.5 million at the balance sheet date (prior year: EUR 21.1 million).

Equity amounts to EUR 28.6 million (prior year: EUR 23.6 million). The equity ratio amounts to 63.1 % (prior year: 54.3%).

Other provisions and accruals amounted to EUR 9.6 million (prior year: EUR 14.9 million), of which EUR 3.6 million (prior year: EUR 10.1 million) is attributable to rebates to health insurance companies. The reduction in rebate provisions is due to the fact that the health insurance providers have caught up on the backlog of unclaimed rebate credits and, in addition, the proportion of medicinal product sales in the so-called tender process has been reduced. At EUR 2.5 million, trade payables are slightly below the previous year's figure of EUR 2.8 million.

- Opportunities and risks for future development

Risks are seen in the regulatory environment as governments and health insurers decide on the level of manufacturer rebates, the expansion of generic product tenders and the restriction of the reimbursement of products and the formation of fixed price groups. Furthermore, the Company is exposed to the risk of supply bottlenecks for certain preparations, as changes of suppliers of pharmaceutical products are not possible at short notice. Opportunities are seen in the further expansion of the business.

- Positive outlook for 2024/2025

An increase in sales revenues in the low double-digit percentage range and a net profit slightly above the 2023/24 level are planned for the coming financial year.

In conclusion, we state in accordance with Section 321 Paragraph 1 Sentence 2 of the German Commercial Code [HGB] that we deem the assessment of the position of the Company by the executive directors, notably the going concern assumption and the assessment concerning the future development of the Company as expressed in the financial statements and in the management report, to be realistic.

In addition, we would like to refer to the comments on the overall assertions on the Annual Financial Statements of the Company in section 5.2 of our report.

### **3 Copy of the Independent Auditor's Report**

We issued the following unqualified independent auditor's report on the financial statements and management report of Hormosan Pharma Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, for the 2023/2024 financial year as set out in Appendix 1:

#### **"INDEPENDENT AUDITOR'S REPORT**

To Hormosan Pharma Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany

#### **Audit opinions**

We have audited the annual financial statements of Hormosan Pharma Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, comprising the balance sheet as at 31 March 2024, the profit and loss account for the financial year from 1 April 2023 to 31 March 2024 and also the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Hormosan Pharma Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany for the financial year from 1 April 2023 to 31 March 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 at 31 March 2024 and of its financial performance for the financial year from 1 April 2023 to 31 March 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 Paragraph 3 Sentence 1 of the German Commercial Code [*HGB*], 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 audit opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 of the German Commercial Code [*HGB*] and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

**Responsibilities of the executive directors for the annual financial statements and the management report**

The executive directors are 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, the executive directors are 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 (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the annual financial statements, the executive directors are 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, the executive directors are responsible for the preparation of the 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, the executive directors are 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 audit 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 of the German Commercial Code [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 fraudulent acts or errors 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 scepticism 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 audit 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 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 audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 audit 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 accordance 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 the executive directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate in particular, the significant assumptions used by the executive directors 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 audit 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.

Frankfurt am Main, Germany, 30 April 2024

**Deloitte GmbH**  
Wirtschaftsprüfungsgesellschaft

Signed:  
Thomas Ludwig  
Wirtschaftsprüfer  
German Public Auditor

Signed:  
Rainer Wiesner  
Wirtschaftsprüfer  
German Public Auditor

## **4 Subject, Nature and Scope of the Audit**

### **Subject of the Audit**

Subject of our audit was

- The accounting records
- the annual financial statements (comprising balance sheet, profit and loss account as well as notes to the financial statements) and
- the management report

of the Company.

The Company's executive directors are responsible for the accounting records and the preparation of the annual financial statements and management report in accordance with German commercial law; this also applies to the information which was provided to us concerning these documents. Further information is provided in the section "Responsibilities of the executive directors for the annual financial statements and the management report" in the above copy of our auditor's report.

Our responsibility is to express an opinion on these documents and this information based on our audit conducted in accordance with professional auditing standards. Our responsibilities in this context are described in the sections entitled “Audit opinions” and “Auditor’s responsibility for the audit of the annual financial statements and the management report” of our auditor’s report.

## **Nature and Scope of the Audit**

Starting point for our audit was the prior year’s financial statements audited by us and given an unqualified auditor’s opinion dated 28 April 2023; these financial statements were approved on 1 October 2023.

We conducted our audit in accordance with Section 317 of the German Commercial Code [HGB] and with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany [IDW].

Please refer to the statements in the section entitled “Auditor’s responsibilities for the audit of the annual financial statements and the management report” in the above copy of our auditor’s report in section 3. To meet these requirements, we apply our risk- and process-oriented audit approach; To implement it, we use our audit software Levvia. It supports the planning, execution and documentation of the audit.

In accordance with Section 317 Paragraph 4a of the German Commercial Code [HGB], the scope of the audit does not include assurance on the future viability of the audited Company or on the effectiveness or efficiency with which the executive directors have conducted or will conduct the affairs of the Company.

We performed the audit in the months of December 2023 (interim audit) and March and April 2024 (main audit).

In accordance with our audit plan, we did not rely on internal controls. Therefore, in accordance with our risk assessment, we did not reduce the scope of our substantive analytical procedures and tests of details of selected transactions and account balances. Tests of details were performed on the basis of judgmental selections of specific items and/or by applying sampling methods.

The following areas were the focus of our audit:

- Evidence of and period cut-off of sales revenues,
- Valuation of inventories,
- Valuation of trade receivables, and
- Completeness and valuation of provisions and accruals.

In order to assess the appropriateness of the Company’s accounting records, as part of the interim audit, we obtained an overview of the organisation of the accounting records and an understanding of the controls relevant to the audit, and performed appropriate tests of design and implementation, in particular with regard to the relevant internal controls implemented.

The Company records its inventories by way of inventory counts carried out prior to the year-end. We participated in selected physical inventory counts in an observational capacity. Furthermore, we examined whether the inventory accounting meets the requirements of the respective inventory method.

Within the framework of our audit of trade receivables and payables, we requested external confirmations from selected customers and suppliers, selected lawyers and the tax advisor of the Company concerning its debits, claims, rights, credits and obligations. We did not request external confirmations of affiliated accounts receivable and accounts payable recorded in lists of account balances at the balance sheet date. In this context, we convinced ourselves that accounts receivable and accounts payable were recorded, maintained and processed in such a way that they could be substantiated reliably by other means.

Considering the disclosures in the annual financial statements, we evaluated the prospective information in the management report for plausibility and consistency with our audit evidence in respect of the annual financial statements.

The executive directors provided all information and evidence requested and on 30 April 2024 issued a written letter of representation in accordance with professional standards. In this letter of representation, the executive directors notably confirm that they fulfilled their responsibilities for the preparation of the annual financial statements and the management report in accordance with German commercial law and that all transactions have been recorded in the accounting records in accordance with German Legally Required Accounting Principles and are reflected in the annual financial statements or in the management report in accordance with the requirements of German commercial law.

## **5 Findings and explanations on the financial reporting**

### **5.1 Appropriateness of the financial reporting**

#### **5.1.1 Accounting records and other audited documents**

The accounting records comply with the legal requirements including the German principles of proper accounting. The information derived from the other audited documents is, in all material respects, appropriately presented within the accounting records, the annual financial statements and the management report.

#### **5.1.2 Annual financial statements**

The financial statements for the 2023/2024 financial year are attached as Appendix 1 to this long form audit report.

The annual financial statements have been properly derived from the accounting records and the other audited documents. The legal requirements on classification, recognition and valuation and on the notes to the financial statements have been complied with in all material respects. The disclosures on the total remuneration of the

executive directors have been omitted, as permitted by Section 286 Paragraph 4 of the German Commercial Code [HGB].

### **5.1.3 Management Report**

The management report for the 2023/24 financial year is attached as Appendix 1 to this long form audit report.

According to the result of our audit, the management report complies, in all material respects, with German legal requirements.

## **5.2 Overall presentation of the annual financial statements**

### **5.2.1 Conclusions on the presentation of the annual financial statements**

We refer to our explanations on the overall presentation of the annual financial statements given below. The annual financial statements taken as a whole, i.e. the combined presentation of balance sheet, profit and loss account and notes to the financial statements, give a true and fair view of the Company's assets, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

### **5.2.2 Explanations concerning the overall presentation of the annual financial statements**

Significant valuation bases are presented below.

#### **Provisions for rebates to health insurance companies**

Pharmaceutical companies sell their drugs to pharmaceutical wholesalers and pharmacies at the list price, with the appropriate revenue recognition. In so-called rebate agreements, the statutory health insurance companies can arrange special rates with one or more suppliers for an active ingredient. The pharmacies are then allowed to dispense only those products that are specified in the rebate agreement of the respective health insurance company to the insured person. Drug companies are selected through public tenders for individual drugs that received the supplements for their products either exclusively or in a multi partner model for a term of two years.

Through these contracts, the drug manufacturer grants the health insurance companies rebates in return for being the exclusive supplier to the health insurance companies. At the pharmacy, the patient with an appropriate prescription from the doctor does not receive the drug of the manufacturer who is named on the prescription, but a drug from one of the manufacturers who have a discount agreement with the health insurance company of the patient. The drug needs to have the same active ingredients, the same pharmaceutical form, dosages and package size. The pharmacies are obliged by the no substitution ("Aut-idem") rule to make a substitution of prescribed medication in favour of the rebated medicines. This shall only not apply if the physician has prohibited the exchange by ticking the "aut idem field" on the prescription.

The rebates are due at the time of delivery of the drug by the pharmacy to the patient. As at the time of sale of the drug by Hormosan to wholesalers or pharmacy neither the timing nor the quantity of the dispensed items is known, the amount of incurred rebates for sales of the business year can only be estimated at the balance sheet

date. The estimate is based on the rebate amounts agreed with the health insurance companies, sales and volume reports of INSIGHT Health GmbH & Co. KG, Waldems, Germany, (healthcare information providers) and the realised revenues and rebate credit notes in the business year. The discounts are often invoiced by the health insurance companies several months after the release of data by the information provider.

Hormosan has set up provisions amounting to EUR 3.6 million as at 31 March 2024 for rebates payable to health insurance companies (prior year: EUR 10.1 million).

## 5.3 Information on the assets, liabilities, financial position and financial performance

### Multi-year data overview

		<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>
Sales revenues	EUR '000	47,308	44,549	36,594	33,650	40,277
Material costs	EUR '000	22,897	22,430	21,048	16,968	20,358
Material costs in relation to sales revenues	%	48.4	50.3	57.5	50.4	50.5
Personnel expenses	EUR '000	7,675	6,915	6,886	6,487	7,002
Employee numbers (§ 267 para. 5 HGB)	No.	77	69	74	79	73
Sales revenue per employee	EUR '000	614	646	495	426	552
EBITDA	EUR '000	7,448	8,020	3,146	4,645	6,517
EBIT	EUR '000	6,847	7,516	2,279	3,888	5,937
Net profit for the year	EUR '000	5,010	5,705	2,175	3,515	5,302
Intangible fixed assets	EUR '000	2,199	1,683	2,015	2,711	3,094
Equity	EUR '000	28,615	23,605	17,901	15,725	12,211
Equity ratio	%	63.1	54.3	50.8	49.9	41.0
Balance sheet total/Total assets	EUR '000	45,348	43,478	35,229	31,542	29,816

## Credit lines

The Company does not have its own credit lines with banks.

## 6 Concluding Remark

The above long-form audit report on our audit of the annual financial statements and of the management report of Hormosan Pharma Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, for the financial year from 1 April 2023 to 31 March 2024 complies with the legal requirements and the German Generally Accepted Standards for the Preparation of Long-form Audit Reports for the Audits of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW) – Auditing Standard IDW AuS 450 Revised (10.2021).

Concerning the Unqualified Independent Auditor’s report issued by us we refer to Section 3 “Copy of the Independent Auditor’s Report”.

Frankfurt am Main, Germany, 30 April 2024

### Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:

Thomas Ludwig

Wirtschaftsprüfer

German Public Auditor

Signed:

Rainer Wiesner

Wirtschaftsprüfer

German Public Auditor

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**Hormosan Pharma Gesellschaft mit be-  
schränkter Haftung  
Frankfurt am Main, Germany**

**Appendix 1**

Management Report and Annual Financial Statements for  
the financial year  
from 1 April 2023 to 31 March 2024



## **Hormosan Pharma GmbH, Frankfurt am Main, Germany**

### **Management Report for the financial year from 1 April 2023 to 31 March 2024**

#### **1. Fundamentals of the Company**

Hormosan Pharma GmbH concentrates on the sale of prescription drugs to pharmaceutical wholesalers. With branded generics and speciality medicines, it focuses on the indication areas of severe headaches (especially so-called cluster headaches and severe migraines), pain therapy, sexual health (HIV, Women's Health, Men's Health), asthma, chronic obstructive pulmonary disease (COPD) and rare diseases in the field of neurology. In addition, generic products are mainly sold for the indication area of the central nervous system.

The current product range comprises 58 products, 51 of which are generic products, some of which are sourced from the parent company, but most of which are sourced from third parties. Hormosan Pharma GmbH does not develop its own products. The product portfolio is based, on the one hand, on licences acquired from third parties as licensors in return for payment and, on the other hand, on products developed by Group companies. Finished product developments that have been submitted for registration or the approvals that have already been granted are taken over.

Hormosan Pharma GmbH has been active as a pharmaceutical company on the German market since 1968. Since mid-2008, following its takeover by the Lupin Group, it has been operating as the German subsidiary of Nanomi B.V., with its head office in Oldenzaal (Netherlands). Nanomi B.V. is in turn a subsidiary of Lupin Ltd. with its head office in Mumbai (India). The Lupin Group is an internationally operating pharmaceutical group of companies with a broad range of generics as well as patented pharmaceutical forms and substances. The group companies are particularly specialised in the areas of cardiovascular, diabetes, asthma, paediatrics, neurology, gastroenterology, oncology, infections and pain.

#### **2. Economic framework**

According to the IQVIA Market Report 2023, sales revenues in the German pharmaceutical market increased by 5.7 %, while sales volumes reduced by 2.0 %. In the Pharmacies segment, sales revenues rose by 2.0% to 47.5 billion euros. According to the IQVIA Market Report 2023, sales to statutory health insurers grew by 3.4 % to 52 billion euros in 2023 and sales volumes increased by 1.6 %

#### **3. Earnings position**

The sales revenues of Hormosan Pharma GmbH amounted to EUR 47.3 million in the past financial year, compared to EUR 44.5 million in the previous year. Revenue from the sale of medicinal products rose from EUR 40.1 million to EUR 43.9 million. This was primarily due to the launch of new products in the inhalation segment as well as strong growth as a result of competitors' (temporary) inability to deliver and the associated additional sales. Due to the termination of a sales co-operation agreement, sales with services decreased from EUR 4.4 million in the previous year to EUR 3.4 million. Sales revenue and net profit for the year are key financial performance indicators used to manage the Company.

The cost of materials increased only slightly by 2.1% from EUR 22.4 million to EUR 22.9 million in the past financial year. While the cost of purchased goods was EUR 0.4 million higher than in the previous year due to the increase in sales revenues, the cost of purchased services remained virtually the same. The latter relates to marketing and sales expenses and are connected to the sales revenues with affiliated companies from services rendered. The ratio of cost of sales to sales revenues amounted to 48.4% which is below the previous year's level of 50.3%. The main reason for this is an optimised product mix. Gross profit (gross profit = sales revenues less cost of materials) amounted to EUR 24.4 million (prior year: EUR 22.1 million).

In the 2023/24 financial year, the Company's personnel expenses increased to EUR 7.7 million (prior year: EUR 6.9 million) due to salary increases and new hires. In the past financial year, an average of 77 persons were employed (prior year: 69 persons).

Depreciation and amortisation of fixed assets amounted to EUR 0.6 million, compared to EUR 0.5 million in the previous year, and included EUR 0.3 million (prior year: EUR 0.0 million) in unscheduled amortisation of intangible assets.

Other operating expenses of EUR 9.6 million in the past financial year were EUR 1.9 million (24.0%) higher than in the previous year. The main items are the costs of scientific information and advertising totalling EUR 3.4 million (prior year: EUR 2.8 million), expenses for skilled workers from temporary employment amounting to EUR 1.6 million (prior year: EUR 0.8 million) and legal and consulting costs of EUR 1.4 million (prior year: EUR 1.0 million).

Interest income of EUR 0.4 million (prior year: EUR 0.0 million) was generated from short-term securities.

Earnings before income taxes amounted to EUR 7.3 million (prior year: EUR 7.5 million). Income tax expenses increased to EUR 2.3 million in the past financial year (prior year: EUR 1.8 million).

Overall, a net profit of EUR 5.0 million (prior year: EUR 5.7 million) was achieved.

In the previous year's financial statements, a slight increase in revenue from the sale of medicinal products was forecast for 2023/24 and a net profit for the year slightly below the level of 2023/23. The budget targets were achieved.

#### **4 Assets Position**

Total assets of Hormosan Pharma GmbH as at 31 March 2024 increased over the previous year from EUR 43.5 million to EUR 45.3 million.

Intangible assets increased by EUR 0.5 million to EUR 2.2 million compared to the previous year, as additions exceeded amortisation and depreciation. Tangible fixed assets remained at the previous year's level with a net book value of EUR 0.1 million.

A long-term loan to an affiliated company was increased by EUR 0.3 million to EUR 0.8 million.

Inventories increased by EUR 2.7 million to EUR 13.5 million. Compared to the previous year, this is mainly due to the higher average inventory for high-turnover products.

Trade receivables decreased slightly from EUR 7.6 million to EUR 6.9 million. Receivables from affiliated companies increased from EUR 0.9 million to EUR 1.1 million.

Equity amounted to EUR 28.6 million as at 31 March 2024 (prior year: EUR 23.6 million). The equity ratio amounts to 63.1% (prior year: 54.3%).

Other provisions decreased from EUR 14.9 million to EUR 9.6 million. Provisions for rebates to health insurers reduced from EUR 10.1 million to EUR 3.6 million as individual health insurers worked through their backlog of rebate claims and, on the other hand, fewer health insurers participated in tenders, meaning that the volume of medicinal products with rebate agreements (so-called tender agreements) decreased.

Trade payables reduced slightly from EUR 2.8 million in the previous year to EUR 2.5 million. Liabilities to affiliated companies amounted to EUR 1.0 million (prior year: EUR 0.2 million) and resulted primarily from deliveries of goods and year-end settlements.

## **5 Financial position**

Liquid funds at the balance sheet date amounted to EUR 20.5 million (prior year: EUR 21.1 million).

In the 2023/24 financial year, Hormosan Pharma GmbH invested a total of EUR 1.1 million (prior year: EUR 0.3 million) in intangible assets. This investment mainly related to drug approvals. The fixed assets of the Company are financed to 100% by shareholder's equity.

## **6 Opportunities and risks report**

Risks pertain to future developments or events that could lead to a negative deviation from Hormosan Pharma GmbH's projected business objectives. Risk management is seen by Hormosan Pharma GmbH as a permanent task with the aim to enable the management to identify, evaluate and control risks.

### **Regulatory Risks**

The German pharmaceutical market is exposed to interventions by the respective governments and health insurance companies – mostly with the aim of reducing expenditure. This manifests itself concretely at the level of manufacturer rebates, the extension of the tender activities for generic products, and by restricting the eligibility of products and the formation of fixed price groups. From the 51 generic drugs sold by Hormosan Pharma GmbH, 23 are discounted for the health insurance companies and the profit margins are therefore considerably limited. These facts will continue to persist overall and affect the pricing and indirectly also sales volumes and thus further limiting market opportunities, in some cases considerably.

In addition to the regulatory impact, medical research and development as well as the new daily findings on active substances and products may also affect the saleability of products. Thus, there is always some risk that at any time that the current product portfolio will have to be supplemented or substituted. In addition, there are also risks in the development of products that can delay the start of marketing. This applies in particular to companies such as Hormosan Pharma GmbH, which rely heavily on new products for sales growth.

## **Compliance Risks**

It is the declared objective of Hormosan Pharma GmbH to conduct all business processes exclusively within the framework of the respective laws and regulations as well as internal guidelines. As a result, the Company has set up a compliance system which is based on the applicable laws and monitors compliance with them. The system is continuously optimised to meet current requirements. The employees are informed about the compliance guidelines during training sessions. Management is convinced that the compliance system is sufficient to ensure that national and international rules are observed and complied with. However, training and compliance policies cannot fully ensure that employees do not inadvertently, negligently or intentionally violate laws, regulations, or internal policies. Such violations could disrupt internal business processes and therefore adversely affect the Company as a whole, in particular its net assets, financial position and results of operations.

## **Procurement Risks**

Hormosan Pharma GmbH may be exposed to the risk of supply bottlenecks for certain preparations. This is attributable to the fact that a change of supplier of pharmaceutical products is not possible in the short term. The further optimisation of the inventory system and a reduction in the dependency on individual suppliers will continue to systematically counteract this risk. Changes in the procurement prices of important medicinal products can also have a significant effect on the earnings position of Hormosan Pharma GmbH.

## **Financial Risks and from financial instruments**

The Management sees no indications that payment obligations cannot be settled on time. The objective of liquidity management is to ensure that the Company is solvent and financially flexible at all times by ensuring a sufficient level of liquidity reserves.

There are default risks related to receivables arising from deliveries. The accounts receivable balances and the age structure of these receivables are analysed on a monthly basis in order to be able to initiate the necessary collection measures. The credit risk from loans and receivables from affiliated companies is classified as low by the management. Hormosan Pharma GmbH is not exposed to any significant currency risk, as all relevant business transactions are conducted in euros.

## **Personnel Risks**

No staff shortages or risks are to be expected, particularly due to the qualified workforce. Hormosan Pharma GmbH is continuously working to improve its attractiveness as an employer in order to counteract the growing trend in Germany. In order to cover the need for qualified specialists in a timely manner and to maintain financial flexibility, the company utilises not only internal employees but also specialists within the framework of temporary employment contracts.

## **Macro-economic risks**

The current global political situation, with slightly higher inflation and armed conflicts, may have a negative impact on the Company. On the one hand, a renewed flare-up of inflation could increase cost pressure, and on the other hand, supply chains could be under considerable strain. This could have negative consequences for Hormosan Pharma GmbH.

**Opportunities**

A continuous opportunity management process exists within Hormosan Pharma GmbH to secure sustainable business success. The basis for the use of available growth opportunities and thus for ensuring sustainable success are the strategic success factors of the Company. Comprehensive product planning and licensor analysis are classed as significant strategic success factors. The strategic decisions are integrated into the strategic policy of the Group and co-ordinated with it.

Increasing sales revenues requires a target-oriented use of the available resources in the sales force as well as marketing activities. To this end, Hormosan Pharma GmbH continuously trains its field staff - both for personal contact with doctors on site in the practice and via digital media. Experience in recent years has shown that a well-balanced interplay between the various channels is crucial for future success. In order to cover the need for qualified specialists in a timely manner and to maintain financial flexibility, the Company utilises not only internal employees but also specialists under temporary employment contracts.

**7 Outlook**

In the coming financial years, the focus of Hormosan Pharma GmbH will continue to be on expanding the business with both branded generics and specialties. In particular, the Company is committed to driving growth in the core indication areas of headaches, rare diseases in neurology, sexual health and inhalation. Sales revenues from health insurance tenders continue to be an effective means of placing products across the board in the distribution channels - especially in pharmacies as the final "point of sale".

The Management Board is planning an increase in sales in the low double-digit percentage range for the 2024/2025 financial year. A significant proportion of the planned growth is to come from new products. In addition to the consistent further development and implementation of the strategic focus, the general market development will also be decisive for achieving this plan. We expect net profit for the year to be slightly above the 2023/24 level.

Frankfurt am Main, Germany, 30 April 2024

The Management Board

\_\_\_\_\_  
(Peer Seeger)

\_\_\_\_\_  
(Sunil Makharia)

\_\_\_\_\_  
(Thierry Volle)

\_\_\_\_\_  
(Anjan Selz)

Hormosan Pharma GmbH, Frankfurt am Main, Germany

**BALANCE SHEET as at 31 March 2024**

**ASSETS**

	<b>31.03.2024</b>	<b>31.03.2023</b>
	<b>EUR</b>	<b>EUR</b>
A. <b>FIXED ASSETS</b>		
I. Intangible assets		
1. Licenses for industrial property rights acquired for a consideration	1,087,408.53	1,457,602.60
2. Payments on account	<u>1,111,820.52</u>	<u>225,293.27</u>
	<u>2,199,229.05</u>	<u>1,682,895.87</u>
II. Tangible assets		
Fixtures, fittings and office equipment	<u>66,313.46</u>	<u>69,710.30</u>
III. Long term financial assets		
Loans to affiliated companies	<u>750,000.00</u>	<u>500,000.00</u>
	<u>3,015,542.51</u>	<u>2,252,606.17</u>
B. <b>CURRENT ASSETS</b>		
I. Inventories		
1. Raw materials, consumables and supplies	23,361.79	29,597.06
2. Goods held for sale	<u>13,499,135.93</u>	<u>10,760,280.13</u>
	<u>13,522,497.72</u>	<u>10,789,877.19</u>
II. Receivables and other assets		
1. Trade receivables	6,891,824.07	7,606,501.61
2. Receivables due from affiliated companies	1,052,474.61	904,556.11
3. Other assets	<u>369,188.18</u>	<u>777,229.10</u>
	<u>8,313,486.86</u>	<u>9,288,286.82</u>
III. Cash and bank balances	20,481,507.89	21,147,279.91
	<u>42,317,492.47</u>	<u>41,225,443.92</u>
C. <b><u>PREPAYMENTS AND DEFERRED CHARGES</u></b>	14,954.63	0.00
	<u>45,347,989.61</u>	<u>43,478,050.09</u>

**SHAREHOLDER'S EQUITY AND LIABILITIES**

	<b>31.03.2024</b>	<b>31.03.2023</b>
	<b>EUR</b>	<b>EUR</b>
A. <u>EQUITY</u>		
I. Subscribed capital	122,900.00	122,900.00
II. Capital reserves	15,166,810.22	15,166,810.22
III. Revenue reserves	1,463,834.95	1,463,834.95
IV. Accumulated profit brought forward	6,851,813.11	1,147,002.96
V. Net profit for the year	5,009,792.49	5,704,810.15
	<u>28,615,150.77</u>	<u>23,605,358.28</u>
B. <u>PROVISIONS AND ACCRUALS</u>		
1. Tax provisions	3,353,626.79	1,471,657.11
2. Other provisions and accruals	9,560,169.71	14,856,207.45
	<u>12,913,796.50</u>	<u>16,327,864.56</u>
C. <u>LIABILITIES</u>		
1. Trade payables	2,529,804.07	2,763,709.00
2. Liabilities due to affiliated companies	980,214.94	201,618.47
3. Other liabilities	309,023.33	579,499.78
	<u>3,819,042.34</u>	<u>3,544,827.25</u>
	<u>45,347,989.61</u>	<u>43,478,050.09</u>

Hormosan Pharma GmbH, Frankfurt am Main, Germany

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 APRIL 2023 TO 31 MARCH 2024

	<b>2023/24</b>	<b>2022/23</b>
	<b>EUR</b>	<b>EUR</b>
1. Sales revenues	47,308,209.37	44,549,165.53
2. Other operating income	269,350.89	521,714.67
3. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	-22,349,501.57	-21,917,992.23
b) Cost of purchased services	-547,529.17	-512,380.05
4. Personnel expenses		
a) Wages and salaries	-6,686,466.52	-6,100,985.08
b) Social security contributions and expenses for pensions and for support	-988,585.02	-814,173.41
5. Depreciation / amortisation on intangible and tangible fixed assets	-600,433.02	-503,504.96
6. Other operating expenses	-9,557,630.56	-7,705,507.20
7. Other interest and similar income	497,237.74	23,314.16
8. Interest and similar expenses	-1,972.06	-1,993.28
9. Taxes on income and earnings	-2,332,887.59	-1,832,848.00
10. Earnings after taxes	<u>5,009,792.49</u>	<u>5,704,810.15</u>
11. Net profit for the year	<u><u>5,009,792.49</u></u>	<u><u>5,704,810.15</u></u>



# Hormosan Pharma GmbH, Frankfurt am Main, Germany

## Notes to the Annual Financial Statements for the financial year from 1 April 2023 to 31 March 2024

### 1. General Information

Hormosan Pharma GmbH is a limited liability company registered in the commercial register at the District Court of Frankfurt am Main, Germany, under the number HRB 8706, and has its registered office at Hanauer Landstraße 139-143, 60314 Frankfurt am Main, Germany. The annual financial statements as at 31 March 2024 of Hormosan Pharma GmbH have been prepared in accordance with the provisions of the German Commercial Code [*HGB*] applicable to large-sized corporations and the supplementary regulations of the Limited Liability Companies Act [*GmbHG*].

### 2. Accounting and Valuation Principles

**Intangible assets** acquired from third parties are stated at acquisition cost less scheduled straight-line amortisation. The additions of intangible assets during the reporting period are amortised pro rata according to the linear method. Licensing rights for drug approvals are amortised within 5 to 10 years according to the term of the licence. Unscheduled write-downs are made in the case of impairments in value that are expected to be permanent. If the reason no longer exists, a corresponding write-up to a maximum of the amortised cost is made.

**Tangible assets** are valued at acquisition cost less scheduled depreciation. Additions whose acquisition costs do not exceed EUR 800 are written off immediately in the year of acquisition. The depreciation rates are based on the expected, company-specific, economic useful life, which is 3 to 13 years for operating and office equipment.

**Loans** reported under financial assets are recognised at the lower of nominal value or fair value if the impairment is expected to be permanent. If the reason for the impairment no longer applies, the impairment loss is reversed up to a maximum of the acquisition cost. No use is made of the option to recognise unscheduled write-downs on financial assets even if the impairment is not expected to be permanent.

The raw materials and supplies included in **inventories** are valued at purchase cost or at the lower replacement cost. Purchased goods held for sale are valued at the lower of purchase cost or replacement cost or the expected sales prices less costs still to be incurred prior to sale. Purchase costs are determined based on moving average prices. All identifiable risks in inventories resulting from above-average storage periods, reduced usability and lower replacement costs are taken into account through appropriate write-downs.

**Receivables and other assets** have been stated at cost less specific allowances for doubtful accounts and general allowances to cover the general credit risk.

Foreign currency receivables are translated at the rate on the transaction date. Receivables with a maturity of up to one year are uniformly converted at the reporting date using the spot exchange rate. In respect to receivables with a maturity of more than one year, the conversion is performed as at the reporting date using the spot exchange rate only when this results in a lower receivable value.

**Deferred taxes** are recognised on differences between commercial and tax valuation of assets, liabilities and prepaid expenses, provided that these differences are expected to reverse again in later financial years and arise from tax burdens or tax benefits. In the measurement of deferred taxes, the combined income tax rate of 32,0% is taken as a basis. This includes corporation tax at 15.0% and a solidarity surcharge of 5.5% thereon and also includes trade tax at an average rate of 16.1%. After offsetting deferred tax assets and deferred tax liabilities - as in the previous year - there is a net tax asset resulting mainly from valuation differences in other provisions. Any resulting overall tax burden is

recognised in the balance sheet as a deferred tax liability. In the case of an overall tax benefit, the option to capitalise is not exercised.

**Tax provisions** for corporation tax and trade tax are determined on the basis of expected taxable income and trade income.

**Other provisions and accruals** take into account all identifiable risks and contingent liabilities and are recognised in accordance with prudent commercial judgement at the necessary settlement amount, taking into account expected future price and cost increases.

**Liabilities** are stated at the settlement amount.

Foreign currency liabilities are translated at the rate on the transaction date. Liabilities with a maturity of up to one year are uniformly converted at the reporting date using the spot exchange rate. In respect to liabilities with a maturity of more than one year, the conversion is performed as at the reporting date using the spot exchange rate only when this results in a higher liability.

### 3. Notes to the Balance Sheet

The development of the acquisition costs and accumulated depreciation/amortisation of the individual **Fixed Asset** items is illustrated in the fixed assets development schedule, which is attached as an Annex to these Notes.

Other assets amounting to kEUR 72 (prior year: kEUR 72) have a remaining term of more than one year. As in the previous year, all **receivables and other assets** have a remaining term of not greater than one year. Receivables from affiliated companies relate to receivables from services.

**Other provisions and accruals** mainly include provisions for rebates to health insurance companies (kEUR 3,560; prior year: kEUR 10,105), personnel provisions (kEUR 1,275; prior year: kEUR 1,334) and provisions for customer refunds (kEUR 927; prior year: kEUR 802).

All **liabilities** have a residual term of up to one year, which is unchanged from the previous year. As in the previous year, the liabilities to affiliated companies result from deliveries and services transactions. Other liabilities include tax liabilities of kEUR 300 (prior year: kEUR 571).

There are no **contingent liabilities**.

The total amount of **other financial obligations** from rental and leasing contracts amounts to kEUR 479 of which kEUR 241 relates to the rental agreement for the head office premises and additionally leasing costs for vehicles. Thereof, kEUR 373 is due within one year and kEUR 106 is due within more than 1 to 5 years.

### 4. Notes to the Profit and Loss Account

**Sales revenues** amounting to kEUR 43,861 (prior year: kEUR 40,125) were mainly derived from the sale of generic drugs, income from services provided amounted to kEUR 3,449 (prior year: kEUR 4,427). The sales revenues for product sales were generated almost exclusively in Germany.

**Personnel expenses** include costs for pensions amounting to kEUR 46 (prior year: kEUR 49).

Unscheduled **write-downs** due to permanent impairment amount to kEUR 279 (prior year: kEUR 0) and relate to licences to industrial property rights acquired for a consideration.

The largest items recognised under **other operating expenses** are the costs of scientific information and advertising amounting to kEUR 3,387 (prior year: kEUR 2,827), expenses for temporary staff amounting to kEUR 1,604 (prior year: kEUR 757) and legal and consulting costs amounting to kEUR 1,403 (prior year: kEUR 997). Currency translation expenses amounted to kEUR 15 (prior year: kEUR 12).

**Other interest and similar income** includes interest income from affiliated companies amounting to kEUR 65 ( prior year: kEUR 23).

## 5. Other disclosures

### Members of the Management Board

Peer Seeger, all departments, from 09.11.2023

Mr. Anjan Selz, all departments until 09.11.2023, Senior Vice President Lupin Northern Europe, Lupin Atlantis Holdings S.A., Zug (Switzerland)

Mr. Sunil Makharia, President – Finance, Lupin Ltd., Mumbai (India)

Thierry Volle, President EMEA Lupin Atlantis Holdings S.A., Zug (Switzerland)

Mrs. Dr. Sofia Mumtaz, until 09.11.2023 – President IPMG (Department: New Products & Licensing) Ltd., Naples, Florida (USA)

The disclosure of the total emoluments of management has been omitted in accordance with Sec. 286 para. 4 of the German Commercial Code [*HGB*] as only one person received remuneration from Hormosan Pharma GmbH.

The **average number of employees** is 77 (prior year: 69).

**Auditor's total fees** amounted to kEUR 86 and relate to audit services.

### Information to the Consolidated Financial Statements

Hormosan Pharma GmbH is included in the consolidated financial statements of Lupin Ltd., Mumbai, India, which prepares the consolidated financial statements for the smallest and the largest consolidated group. The consolidated financial statements of Lupin Ltd. are available under [www.Lupin.com/annual-reports.php](http://www.Lupin.com/annual-reports.php).

### Information on the minimum taxation

Lupin Ltd. generates consolidated revenue above the threshold of EUR 750.0 million and is therefore subject to the OECD Pillar Two model rules on minimum taxation. The Pillar Two legislation came into force in Germany on 1 January 2024. Based on the tax rates applicable at the Company's registered office in Germany, the management assumes that the effective tax rate of at least 15.0% will be reached or exceeded.

### Profit Allocation

Management is proposing to carry forward the net profit for the year.

### Significant events after the balance sheet date

On 19 April 2024, a licence right for a drug approval was acquired at an acquisition cost of kEUR 3,600. There were no other significant events after the end of the financial year that were not recognised in the profit and loss account or balance sheet.

Frankfurt am Main, Germany, 30 April 2024

The Management Board

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(Peer Seeger)

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(Sunil Makharia)

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(Thierry Volle)

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(Anjan Selz)

## Hormosan Pharma GmbH, Frankfurt am Main

## Development of fixed assets as at 31 March 2024

	Acquisition costs				Balance 31.03.2024 EUR
	Balance 01.04.2023 EUR	Additions EUR	Transfers EUR	Disposals EUR	
<b>I. Intangible assets</b>					
1. Licenses for industrial property rights acquired for a consideration	5,310,095.28	9,022.74	193,429.27	0.00	5,512,547.29
2. Payments on account	225,293.27	1,079,956.52	-193,429.27	0.00	1,111,820.52
	<u>5,535,388.55</u>	<u>1,088,979.26</u>	<u>0.00</u>	<u>0.00</u>	<u>6,624,367.81</u>
<b>II. Tangible assets</b>					
Fixtures, fittings and office equipment	642,697.30	24,390.10	0.00	0.00	667,087.40
<b>III. Long term financial assets</b>					
Loans to affiliated companies	500,000.00	250,000.00	0.00	0.00	750,000.00
	<u>6,678,085.85</u>	<u>1,363,369.36</u>	<u>0.00</u>	<u>0.00</u>	<u>8,041,455.21</u>

	<b>Accumulated depreciation/amortisation</b>			
	Balance			Balance
	01.04.2023	Additions	Disposals	31.03.2024
	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>				
1. Licenses for industrial property rights acquired for a consideration	-3,852,492.68	-572,646.08	0.00	-4,425,138.76
2. Payments on account	0.00	0.00	0.00	0.00
	<u>-3,852,492.68</u>	<u>-572,646.08</u>	<u>0.00</u>	<u>-4,425,138.76</u>
<b>II. Tangible assets</b>				
Fixtures, fittings and office equipment	-572,987.00	-27,786.94	0.00	-600,773.94
<b>III. Long term financial assets</b>				
Loans to affiliated companies	0.00	0.00	0.00	0.00
	<u>-4,425,479.68</u>	<u>-600,433.02</u>	<u>0.00</u>	<u>-5,025,912.70</u>

	<b>Net book values</b>	
	Balance	Balance
	31.03.2024	31.03.2023
	EUR	EUR
<b>I. Intangible assets</b>		
1. Licenses for industrial property rights acquired for a consideration	1,087,408.53	1,457,602.60
2. Payments on account	1,111,820.52	225,293.27
	<u>2,199,229.05</u>	<u>1,682,895.87</u>
<b>II. Tangible assets</b>		
Fixtures, fittings and office equipment	66,313.46	69,710.30
<b>III. Long term financial assets</b>		
Loans to affiliated companies	750,000.00	500,000.00
	<u>3,015,542.51</u>	<u>2,252,606.17</u>

# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

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#### 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.