

Hormosan Pharma GmbH Frankfurt am Main, Germany

Long-form Report on the Audit of the
Financial Statements and Management Report
for the Business Year
from 1 April 2019 to 31 March 2020

TRANSLATION

– German version prevails –

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Contents		Page
1	Audit Engagement	1
2	Fundamental Findings	1
3	Reproduction of the Auditor's Report	4
4	Subject, Nature and Scope of the Audit	7
5	Findings and Commentary regarding the Financial Reporting	10
5.1	Propriety of the financial reporting	10
5.1.1	Accounting records and other audited documents	10
5.1.2	Annual financial statements	10
5.1.3	Management Report	10
5.2	Overall assertion from the Annual Financial Statements	10
5.2.1	Observations to the overall assertion from the Annual Financial Statements	10
5.2.2	Explanatory Notes to the overall financial statement presentation	10
5.3	Analysis of the net assets, financial position and results of operations	12
6	Concluding Remark	13

Appendices

1 Management Report Annual Financial Statements

- 1.1 Management Report
- 1.2 Balance Sheet
- 1.3 Profit and Loss Account
- 1.4 Notes to the Financial Statements

2 Independent Auditor's Report

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

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 July 2019 of

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

– hereinafter referred to as "Hormosan" or "Company" –

we were elected as independent auditors for the business year from 1 April 2019 to 31 March 2020. Based on this resolution, the Company's legal representatives then engaged us to audit the financial statements for the 2019/2020 business 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 Issuance of Long-form Audit Reports for the Audits of Financial Statements promulgated by the Institute of Public Auditors in Germany (IDW) – Auditing Standard IDW PS 450 (new version).

The scope of the engagement and our responsibilities thereunder, also towards third parties, are governed by our agreements dated 11 October 2019 / 17 October 2019 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 legal representatives' assessment of the position of the Company

We draw attention to the following aspects of the financial statements, the management report of the legal representatives, 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 40.3 million (prior year: EUR 32.2 million).

Revenues from product sales increased by EUR 7.9 million to EUR 36.6 million due to newly launched products, delivery bottlenecks at competitors and an optimised tender product portfolio. Income from the provision of services to affiliated companies amounted to EUR 3.7 million, slightly higher than the previous year's figure (EUR 3.5 million).

- The net profit for the year amounted to EUR 5.3 million (prior year: EUR 2.1 million).

The cost of materials increased compared to the previous year (EUR 17.1 million) to EUR 20.4 million, whereby the material cost ratio (cost of materials based on sales) was reduced from 52.9 % to 50.5 %.

Personnel expenses rose by EUR 0.4 million to EUR 7.0 million due to a slight increase in the number of employees to 73 persons. Other operating expenses were slightly higher than the previous year at EUR 6.6 million (prior year: EUR 6.4 million).

- Total assets increased to EUR 29.8 million (prior year EUR 22.0 million).

Inventories increased by EUR 2.4 million to EUR 12.2 million, of which EUR 1.8 million was attributable to goods received in March 2020. Trade receivables rose by EUR 4.7 million to EUR 8.0 million, because the time that open invoices were debited in January 2020 was permanently postponed from the end of the month to the beginning of the following month and, in addition, revenues in March 2020 were around EUR 2.0 million higher than the monthly sales in March 2019. The decrease in receivables from affiliated companies by EUR 1.9 million to EUR 0.7 million is due to the settlement of service income during the year (instead of a one-off settlement at the end of the business year).

Provisions and accruals amount to EUR 10.0 million (prior year: EUR 6.6 million) of which rebates to health insurance companies account for EUR 5.1 million (previous year: EUR 3.4 million). The trade payables and the liabilities to affiliated companies mainly result from the delivery of goods. The sum of both items is unchanged from the previous year at EUR 7.3 million, but trade payables increased by EUR 1.9 million compared to the previous year and liabilities to affiliated companies decreased by the same amount.

Equity amounts to EUR 12.2 million (prior year: EUR 6.9 million). The equity ratio amounts to 41.0 % (prior year: 31.5 %).

- Repayment of bank loans

The bank loan of EUR 1.0 million reported in the previous year was repaid in full in the reporting year. Liquid funds amounted to EUR 5.5 million as at the balance sheet date (prior year: EUR 2.7 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 limitation of reimbursement of products and the formation of fixed-amount groups. Furthermore, the Company is exposed to the risk of delivery 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 business with branded generics and specialties as well as the marketing of products in the core indication areas of central nervous system/pain, rare diseases in neurology and sexual health.

- Positive outlook for 2020/2021

Increasing sales revenues are planned for the coming business year. However, the management expects a lower pre-tax profit compared to the reporting year, as higher advertising costs for the introduction of new products are budgeted.

Management estimates that the COVID-19 pandemic will have no significant impact on prescription drug sales. However, the protective measures implemented worldwide (curfews and bans on contacts) could disrupt the international supply chains in production and, as a result, for Hormosan in the procurement of medicines.

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 legal representatives, 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 Reproduction of the Auditor's Report

We issued the following unqualified independent auditor's report, signed on 30 April 2020, on the financial statements and management report of Hormosan Pharma GmbH, Frankfurt am Main, Germany, for the 2019/20 business year as set out in Appendix 1:

"INDEPENDENT AUDITOR'S REPORT

To Hormosan Pharma GmbH, Frankfurt am Main, Germany

Audit opinions

We have audited the annual financial statements of Hormosan Pharma GmbH, Frankfurt am Main, Germany, comprising the balance sheet as at 31 March 2020, the profit and loss account for the business year from 1 April 2019 to 31 March 2020 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 GmbH, Frankfurt am Main, Germany for the business year from 1 April 2019 to 31 March 2020.

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 2020 and of its financial performance for the business year from 1 April 2019 to 31 March 2020 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 Legal Representatives for the Annual Financial Statements and the Management Report

The legal representatives 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 legal representatives 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.

In preparing the annual financial statements, the legal representatives 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 legal representatives 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 legal representatives 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 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 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' 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 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 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."

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 legal representatives are responsible for the maintenance of the books and accounting records and the preparation of the 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. We also refer to the section entitled "Responsibilities of the legal representatives for the annual financial statements and the management report" within our auditor's opinion presented above.

Our responsibility is to assess these documents and information as part of our statutory audit. Our responsibilities in this regard are described in the sections entitled "Audit Opinions" and "Auditor's

Responsibility for the Audit of the Financial Statements and the Management Report” within our opinion.

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 26 April 2019; these financial statements were approved on 1 July 2019.

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 Financial Statements and the Management Report” in our auditor's opinion in section 3 above for the key features of our audit process. To meet these requirements, we apply our risk- and process-oriented audit approach; To implement it, we use our audit software Engagement Management System (EMS). It supports the planning, execution and documentation of the audit.

According to Section 317 Paragraph 4a of the German Commercial Code [HGB], an appropriate audit of financial statements does not include whether the existence as a going concern of the company audited or the economy, efficiency and effectiveness of operations can be assured.

We performed the audit in the months of December 2019 (interim audit) and March and April 2020 (main audit).

We have audited the relevant control procedures of the Company for adequacy and, if necessary, effectiveness in accordance with our audit plan. Based on the results of this control review, we have determined the nature and scope of our audit-related procedures (analytical procedures and case-by-case reviews of selected transactions and balances). For individual assessments, we have obtained evidence through deliberate selection or using sampling procedures.

The following areas were the focus of our audit:

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

To assess the correctness of the Company's accounting function we obtained an understanding of the organisation of the accounting function, and performed appropriate system design testing, in particular with regard to the material control measures implemented therein.

The stocks are kept and managed by the external pharmaceutical logistics companies trans-o-flex Logistik-Service GmbH, Weinheim, and Med-X-Press GmbH, Goslar. On 18 March 2020 and on 30/31 March 2020 inventory counts were performed. Due to the protective measures against the spread of the COVID-19 pandemic, we could not attend the stock counts as observers. In accordance with IDW PS 301, number 32, we convinced ourselves of the existence and the nature of the stocks by obtaining confirmation from both pharmaceutical logistics companies. We also assessed the integrity and independence of the custodians, the suitability of the inventory guidelines submitted and the appropriateness of the stock-related internal control systems.

In addition, through the use of data analyses (in particular journal entry testing), the appropriateness of the stock postings in financial accounting was assessed, provided that an account was posted to the profit and loss account to increase earnings (credit postings).

Within the framework of our audit of trade receivables and payables, bank balances and provisions, we obtained balance confirmations from selected customers and suppliers, all banks, selected lawyers and the tax advisor of the Company to substantiate assets, rights and obligations of the Company.

We appraised statements in the management report relating to the future for credibility in light of the information contained in the financial statements and for consistency with the knowledge which we acquired during our audit.

The legal representatives provided all information and evidence requested and on 30 April 2020 issued a written letter of representation in accordance with professional standards. In particular this confirmed that all transactions which require recognition in the accounting records are recorded in the books presented and in compliance with the applicable accounting principles the financial statements include and reflect all assets, liabilities (obligations, risks etc.), accruals and special items, all expenses and income as well as required disclosures.

5 Findings and Commentary regarding the Financial Reporting

5.1 Propriety 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 results in a proper presentation in the accounting records, the financial statements and the management report.

5.1.2 Annual financial statements

The financial statements for the 2019/2020 business year are attached as Appendices 1.2 to 1.4 to this long form audit report.

The financial statements were derived properly from the accounting records and the other audited documents. The Company complies with the legal requirements on classification, recognition and valuation and on the notes to the financial statements. The disclosures on the total remuneration of the legal representatives 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 2019/20 business year is attached to this report as Appendix 1.1.

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

5.2 Overall assertion from the Annual Financial Statements

5.2.1 Observations to the overall assertion from the Annual Financial Statements

We refer to our following explanations regarding the overall financial statements. 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 net assets, financial position and results of operations in accordance with German principles of proper accounting.

5.2.2 Explanatory Notes to the overall financial statement presentation

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 5.1 million as at 31 March 2020 for rebates payable to health insurance companies (prior year: EUR 3.4 million).

5.3 Analysis of the net assets, financial position and results of operations

Multi-year summary

		<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>
Sales revenue	EUR '000	40,277	32,247	32,135	28,038	21,143
Operating performance	EUR '000	40,502	32,890	34,992	28,166	22,621
Material costs	EUR '000	20,358	17,062	17,240	13,961	11,841
Material intensity (= Material cost/operating performance)	%	50.3	51.9	49.3	49.6	52.3
Personnel expenses	EUR '000	7,002	6,596	5,865	4,712	3,986
Personnel intensity (= Personnel expenses/operating performance)	%	17.3	20.1	16.8	16.7	17.6
Employee numbers (§ 267 para. 5 HGB)	No.	73	70	66	59	56
Sales revenue per employee	EUR '000	552	461	487	475	378
EBITDA	EUR '000	6,517	2,865	5,455	2,958	1,053
EBIT	EUR '000	5,937	2,312	5,020	2,527	648
Net profit for the year	EUR '000	5,302	2,115	4,403	2,226	481
Intangible fixed assets	EUR '000	3,094	3,039	3,164	3,130	2,978
Fixed assets	EUR '000	3,233	3,233	3,305	4,024	3,845
Equity (+)/Capital deficit (-)	EUR '000	12,211	6,909	4,794	391	-1,834
Long-term external funding	EUR '000	0	0	1,250	1,250	1,717
Balance sheet total/Total assets (excluding capital deficit)	EUR '000	29,816	21,956	21,115	17,578	18,109
Equity ratio	%	41.0	31.5	22.7	2.2	negative
Fixed asset coverage	%	377.7	213.7	182.9	40.8	-3.0

Credit lines

There is a line of credit with the Bank of Tokyo-Mitsubishi UFJ, Munich, Germany, amounting to kEUR 7,500, which was not utilised as at 31 March 2020.

6 Concluding Remark

The above long-form report on our audit of the financial statements and the management report of Hormosan Pharma GmbH, Frankfurt am Main, Germany, for the business year from 1 April 2019 to 31 March 2020 complies with the legal regulations and the German generally accepted standards for the issuance of long-form audit reports for the audits of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) – Auditing Standard IDW PS 450 (new version).

Concerning the unqualified independent auditor’s report issued by us we refer to Section 3 “Reproduction of the Independent Auditor’s Report”.

Frankfurt am Main, Germany, 30 April 2020

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

[signed]
(Thomas Ludwig)
Wirtschaftsprüfer
[Certified Public Auditor]

[signed]
(Rainer Wiesner)
Wirtschaftsprüfer
[Certified Public Auditor]

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For publication or issuing to third parties of the annual financial statements and/or the management report in a form other than the version on which our independent auditors’ report has been issued, or for translation into other languages our renewed representation is required, if our independent auditors’ report is quoted or reference is made to our audit of the annual financial statements in this context; in this respect we draw attention to the regulations under Sec. 328 of the German Commercial Code [HGB].

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

Management Report and Financial Statements
for the business year
from 1 April 2019 to 31 March 2020

TRANSLATION

– German version prevails –

Hormosan Pharma GmbH, Frankfurt am Main, Germany

Management Report for the business year from 1 April 2019 to 31 March 2020

1. General business development of Hormosan Pharma GmbH

Hormosan Pharma GmbH has been present in the German market as a pharmaceutical company since 1968. Since mid-2008, after the takeover by the Lupin Group, it operates as a German subsidiary of Nanomi B.V. with its head office in Oldenzaal (Netherlands), (until 30 September 2019 operating as Lupin Holdings B.V.). In turn, Nanomi B.V. is a subsidiary of Lupin Ltd. with its head office in Mumbai (India).

The Lupin Group is an international pharmaceutical group with a wide range of generic and patented pharmaceutical forms and substances. The Group companies are particularly specialised in the areas of cardiovascular, diabetes, asthma, paediatrics, neurology, gastroenterology, infection and pain. In addition, the Lupin Group has been able to secure a worldwide leading position in the field of tuberculosis and cephalosporin antibiotics.

Hormosan Pharma GmbH is focused primarily on selling prescription medicines wholesale to the pharmaceutical industry. This sales activity is supported on the one hand by direct marketing activities, on the other hand by a sales force, which visits doctors and introduces the products. The current product range includes approximately 56 generic products as well as a patent-protected product, some of which are purchased from the parent company, but to a greater extent from third parties. The Company does not develop its own products. Finished developments are taken over and registered or the approvals which are already issued are taken over.

In the 2019/2020 business year, Hormosan focused on the central nervous system ("CNS") and pain indications areas and the existing broad range of generic drugs in various indication areas of sexual health (HIV, Women's Health, Men's Health) as well as rare diseases in the field of neurology. In addition to this focus, the gradual development of the product portfolio into brand generics and specialties has been promoted.

2. General industry development

The German pharmaceutical market grew in the 2019 calendar year by approximately 7% in sales to EUR 46.4 billion. Pharmacy sales accounted for 86% of total sales. The sales volume rose by 0.7% compared to the previous year to approx. 98.1 billion counting units. In relation to the quantity, the proportion that was distributed through the pharmacies was 92% of the total quantity. (Source: IQVIA market report 2019).

In subsequent years to 2024, average growth rates of over 6.9% are predicted annually (Source: Evaluate: World Preview 2019 Outlook to 2024).

3. Company Position

The net profit of Hormosan Pharma GmbH in the 2019/20 business year amounted to EUR 5.3 million (prior year: EUR 2.1 million). The increase is mainly explained by the sharp increase in product sales with only slightly higher personnel costs and other operating expenses.

3.1. Earnings Position

The sales revenue of Hormosan Pharma GmbH amounted to EUR 40.3 million in the past business year compared to EUR 32.2 million in the previous year.

Revenue from product sales increased from EUR 28.7 million to EUR 36.6 million for the following reasons:

- Some of the newly launched products were able to establish themselves well on the market
- Strong demand for products due to supply bottlenecks at competitors
- Dedicated tender selection process with better margins by optimising the rebates granted

In contrast, revenue from services provided to affiliated companies rose slightly from EUR 3.5 million to EUR 3.7 million.

Other operating income reduced from EUR 0.6 million to EUR 0.2 million, which is essentially due to the lower cost recharges to affiliated companies, which also makes up the determining part of this income.

The cost of materials increased from EUR 17.1 million to EUR 20.4 million in the past business year, whereby the expenses for purchased goods increased by EUR 3.1 million and the expenses for purchased services increased by EUR 0.2 million compared to the previous year. The increase in expenses for purchased goods is associated with the higher product sales. The purchased services relate to marketing and distribution expenses and are in connection with the services rendered to affiliated companies.

The ratio of cost of sales to sales revenues decreased by 2.4 percentage points from 52.9% in the previous year to 50.5%. This is largely explained by a change in product mix. Gross profit (gross profit = sales revenues less cost of materials) amounted to EUR 19.9 million (prior year: EUR 15.2 million).

In the 2019/2020 business year, the Company's personnel expenses rose to EUR 7.0 million. This increase of EUR 0.4 million compared with the previous year, is explained in particular by the increase in the number of employees.

Other operating expenses rose slightly in the past business year by EUR 0.3 million to EUR 6.6 million. There were significant changes in the costs of scientific information and advertising amounting to EUR 2.7 million (previous year: EUR 1.5 million). Regulatory expenses declined (decrease by EUR 0.2 million to EUR 0.7 million).

Scheduled depreciation on fixed assets remained unchanged from the previous year at EUR 0.6 million.

Earnings before income taxes amounted to EUR 5.9 million (prior year: EUR 2.3 million). Income tax expenses increased from EUR 0.2 million in the previous year to EUR 0.6 million in the past business year.

3.2. Assets Position

Total assets of Hormosan Pharma GmbH as at 31 March 2020 increased over the previous year from EUR 22.0 million to EUR 29.8 million.

Intangible assets increased by EUR 0.1 million compared to the previous year to EUR 3.1 million, which is due to new down payments for upcoming products. Tangible fixed assets remained at approximately the same level decreasing from EUR 0.2 million in the previous year to EUR 0.1 million.

Inventories increased by EUR 2.4 million to EUR 12.2 million. This is mainly due to the delivery of goods in March 2020 amounting to EUR 1.8 million and the stocking of newly launched products amounting to EUR 0.2 million.

Trade receivables increased by EUR 4.7 million from EUR 3.3 million to EUR 8.0 million, since March sales were EUR 2.0 million higher than in the previous year, and in January 2020 the payment term for direct debit customers was generally extended by 7 days. While in the previous year, open invoices were debited at the end of March 2019, in 2020 this debit took place immediately after the balance sheet date in early April 2020.

Receivables from affiliated companies fell from EUR 2.6 million to EUR 0.7 and mainly result from services rendered that were invoiced and paid during the year.

At EUR 5.5 million, cash and cash equivalents were higher than in the previous year (EUR 2.7 million), which is mainly due to the good business performance.

On the liability side, other provisions and accruals increased from EUR 6.2 million to EUR 9.7 million. These mainly relate to rebates to health insurance companies (EUR 5.1 million; prior year: EUR 3.4 million), personnel provisions (EUR 1.4 million; prior year: EUR 0.8 million) and reimbursements (EUR 1.0 million; prior year: EUR 0.7 million). Provisions for sales returns increased by EUR 0.4 million to EUR 0.5 million.

Liabilities to credit institutions have been repaid in full (prior year: EUR 1.0 million).

Trade payables increased by EUR 1.9 million to EUR 3.6 million, while liabilities to affiliated companies decreased by EUR 1.9 million to EUR 3.7 million. The liabilities result from deliveries of goods.

3.3. Financial Position

Hormosan Pharma GmbH could honour its financial obligations in the 2019/2020 business year due to its liquidity position and the available credit facilities. As at the balance sheet date, liquid funds amounted to EUR 5.5 million (prior year: EUR 2.7 million). Additionally, a bank credit facility as at 31 March 2020 of EUR 7.5 million was not utilised.

In the past business year, the Company fully repaid its short-term liabilities to credit institutions. This was financed from the operating business.

Hormosan Pharma GmbH made investments during the 2019/2020 business year in intangible assets amounting to EUR 0.7 million (prior year: EUR 0.6 million). This investment related mainly to drug approvals.

The fixed assets of the Company are financed to 100% by shareholder's equity.

Equity amounted to EUR 12.2 million at 31 March 2020 (prior year: EUR 6.9 million). The equity ratio amounts to 41.0% (prior year: 31.5%).

4. Report on Opportunities and Risks

4.1. Opportunity Management

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.

The main financial parameters of Hormosan Pharma GmbH include not only strategic and operative targets but also key financial indicators. The financial performance indicators that are used by Hormosan Pharma GmbH for operational management mainly include net sales revenues and net profit for the year before taxes.

4.2. Risk Management

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. Risks that endanger the existence of the Company are unknown.

- **Risks related to the Covid-19 pandemic**

In the course of the current global Covid-19 pandemic and the associated crisis situation in most countries around the world including Germany, the Company's implemented opportunity and risk management is also being utilised. The extraordinary developments with regard to the above-mentioned opportunity and risk criteria are continuously evaluated both nationally and internationally with the support of the group, and any corrective measures are derived and implemented. At the current time, taking into account the existing knowledge, no existential risks can be identified for Hormosan Pharma GmbH, although in particular possible procurement risks (see explanations below) require increased attention in the context of the crisis situation.

- **Financial Risks**

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 and available credit facilities. 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.

- **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. Approximately 20% of the generic drugs are subject to rebates and the profit margins are consequently considerably reduced. These facts will continue to persist overall and affect the price formation and indirectly the sales volumes and thus significantly further restrict the market opportunities.

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 the current product portfolio must be supplemented or substituted. In addition, there are also risks in the development of products that can delay the start of marketing. This is particularly true for companies such as Hormosan Pharma GmbH, which also rely on new products for sales growth.

- **Procurement Risks**

Hormosan Pharma GmbH may be exposed to the risk of delivery bottlenecks for certain preparations. This is due to the fact that a change of supplier of medicinal products is not possible in the short term. The further optimisation of inventories and a reduction in the dependency on individual suppliers will 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.

- **Personnel Risks**

No personnel shortages are expected in particular due to the level of qualified staff and the additional recruitment carried out in the reporting year. On average, 73 employees (prior year: 70) were employed.

- **Compliance Risks**

It is the declared objective of Hormosan Pharma GmbH to handle all business processes exclusively within the framework of the respective laws and regulations as well as internal guidelines. Hormosan has therefore set up a compliance system which is based on the applicable laws and checks for adherence to them. The employees are informed about the compliance guidelines during training sessions. The Company is convinced that the compliance system has made sufficient provision for compliance with national and international rules. However, training and compliance policies cannot fully ensure that employees do not inadvertently, negligently or deliberately violate laws, regulations, or internal policies. Such violations may interfere with internal business processes and adversely affect the financial position.

- **Currency Risks**

A significant foreign currency risk does not exist for Hormosan Pharma GmbH, as all the relevant costs and income are transacted in Euros.

5. Other Disclosures

5.1. Research and Development

Hormosan Pharma GmbH is not involved in any development of its own products. The expansion of the product portfolio is based firstly on purchased licenses from third parties as licensors and secondly on products developed by Group companies. Completed developments are taken over when they are registered or from approvals already granted.

5.2. Branch Report

Hormosan Pharma GmbH does not have any branches.

6. Outlook

In subsequent business years, the focus of Hormosan Pharma GmbH will continue to be on expanding its generics and specialties business, as well as further driving growth in the core indication areas of CNS and pain, rare diseases in neurology and sexual health.

Hormosan Pharma GmbH plans to generate a further significant increase in sales for the 2020/2021 business year. This sales planning requires the further consistent implementation of the strategic realignment. Sales revenues from health insurance tenders is an effective means to place products across the distribution channels - especially in the pharmacies as a final "point of sales" - nationwide. A major part of the planned growth is to be achieved with new products such as the MyCirq® contraceptive ring.

In spite of the planned sales growth, the Company expects a slightly decreasing profit before tax for the 2020/2021 business year compared to the current business year. The main reason for this is additional costs, especially for advertising and marketing in the context of the introduction of new products. These performance indicators are expected to increase again in 2021/2022.

The increase in sales revenues requires a goal-oriented use of the existing resources in the external sales department. Employee performance-based compensation systems exist in all areas of the Company in order to provide the motivation to exploit the relevant success potential.

The current Covid-19 pandemic and its indirect and direct effects can be seen as an uncertainty with regard to the forecast of business development. Although the extent and scope of the effects of the pandemic on the Company as well as on the pharmaceutical industry and in particular Hormosan Pharma GmbH are not yet foreseeable, it must be assumed that the pandemic will affect all of the areas mentioned. The sale of prescription drugs is fundamentally relatively independent of the crisis. Assuming that the effects of the pandemic will continue for several months, it is expected especially that there will be a shift in revenues between periods. A possible long-term disruption of international supply chains in the procurement and manufacture of goods due to the impact would, depending on the inventory of the individual products concerned, have a successive negative effect on the business of Hormosan Pharma GmbH, as an at least partial substitution by other manufacturers would be expected.

Frankfurt am Main, Germany, 30 April 2020

The Management Board

(Anjan Selz)

(Werner Schneider)

(Thierry Volle)

(Dr. Sofia Mumtaz)

(Sunil Makharia)

Hormosan Pharma GmbH, Frankfurt am Main, Germany

Balance Sheet as at 31 March 2020

ASSETS			SHAREHOLDER'S EQUITY AND LIABILITIES		
	31.03.2020 EUR	Prior year EUR		31.03.2020 EUR	Prior year EUR
A. FIXED ASSETS			A. EQUITY		
I. Intangible assets			I. Subscribed capital	122,900.00	122,900.00
1. Licenses for industrial property rights acquired for a consideration	2,933,392.93	3,037,793.07	II. Capital reserves	15,166,810.22	15,166,810.22
2. Payments on account	160,224.63	850.00	III. Revenue reserves	1,463,834.95	1,463,834.95
	<u>3,093,617.56</u>	<u>3,038,643.07</u>	IV. Accumulated losses brought forward	-9,844,471.90	-11,959,759.53
II. Tangible assets			V. Net profit for the year	<u>5,301,543.80</u>	<u>2,115,287.63</u>
Fixtures, fittings and office equipment	139,863.23	193,501.48		<u>12,210,617.07</u>	<u>6,909,073.27</u>
III. Financial assets					
Shares in cooperatives	0.00	500.00	B. PROVISIONS AND ACCRUALS		
	<u>3,233,480.79</u>	<u>3,232,644.55</u>	1. Tax provisions	286,471.63	398,224.14
B. CURRENT ASSETS			2. Other provisions and accruals	9,717,371.20	6,177,357.09
I. Inventories				<u>10,003,842.83</u>	<u>6,575,581.23</u>
1. Raw materials and consumables	11,168.15	14,627.17	C. LIABILITIES		
2. Purchased goods held for sale	12,139,565.90	9,760,115.05	1. Liabilities due to credit institutions	0.00	1,000,000.00
	<u>12,150,734.05</u>	<u>9,774,742.22</u>	2. Trade payables	3,586,437.50	1,719,542.46
II. Receivables and other assets			3. Liabilities due to affiliated companies	3,699,118.42	5,609,238.05
1. Trade receivables	8,027,149.10	3,260,850.16	4. Other liabilities	315,802.09	142,183.23
2. Receivables from affiliated companies	707,418.84	2,631,793.31		<u>7,601,358.01</u>	<u>8,470,963.74</u>
3. Other assets	152,018.94	328,320.70			
	<u>8,886,586.88</u>	<u>6,220,964.17</u>			
III. CASH AND BANK BALANCES	5,524,373.95	2,686,232.57			
	<u>26,561,694.88</u>	<u>18,681,938.96</u>			
C. PREPAYMENTS AND DEFERRED CHARGES	20,642.24	41,034.73			
	<u>29,815,817.91</u>	<u>21,955,618.24</u>		<u>29,815,817.91</u>	<u>21,955,618.24</u>

Hormosan Pharma GmbH, Frankfurt am Main, Germany**Profit and loss account for the period from 1 April 2019 to 31 March 2020**

	<u>2019 / 2020</u> EUR	<u>2018 / 2019</u> EUR
1. Sales revenues	40,276,891.81	32,246,824.93
2. Other operating income	225,055.78	643,140.00
3. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	19,316,103.66	16,241,554.57
b) Cost of purchased services	1,041,957.84	820,055.98
4. Personnel expenses		
a) Wages and salaries	5,954,728.67	5,680,829.39
b) Social security costs and costs for pensions and similar costs	1,047,069.01	914,508.13
5. Depreciation / amortisation on intangible and tangible fixed assets	579,370.15	553,140.90
6. Other operating expenses	6,625,463.49	6,367,837.86
7. Other interest and similar income	22.09	86.99
8. Interest and similar expenses	6,011.19	33,565.39
9. Taxes on income and earnings	<u>629,721.87</u>	<u>163,272.07</u>
10. Earnings after taxes	5,301,543.80	2,115,287.63
11. Net profit for the year	<u><u>5,301,543.80</u></u>	<u><u>2,115,287.63</u></u>

Hormosan Pharma GmbH, Frankfurt am Main, Germany
NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR
FROM 1 APRIL 2019 TO 31 MARCH 2020

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 financial statements as at 31 March 2020 of Hormosan Pharma GmbH have been prepared in accordance with the provisions of the German Commercial Code [*HGB*] applicable to medium-sized corporations and the supplementary regulations of the Limited Liability Companies Act [*GmbHG*]. Size-related reliefs pursuant to Sec. 288 para. 2 of the German Commercial Code [*HGB*] have been utilised.

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. License rights for drug approvals are amortised over 5 to 10 years.

Tangible assets are valued at acquisition cost less scheduled depreciation over their individual economic useful life. Low-value assets costing up to EUR 800 are fully depreciated in the year of acquisition in accordance with Sec. 6 para. 2 of the Income Taxes Act [*EStG*].

Movable and immovable fixed assets are depreciated on a straight line basis. The economic individual useful lives for fixtures, fittings and office equipment are between 3 to 13 years.

Financial assets are valued at acquisition cost.

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 purchase cost or at the lower replacement cost or the lower expected sales prices less costs still to be incurred prior to sale. Purchase costs are determined based on moving average prices.

Receivables and other assets have been stated at acquisition cost. Specific risks and the general credit risk is covered by appropriate individual or general provisions.

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.

Prepaid expenses and deferred charges are those incurred prior to the balance sheet date but relate to a certain time after this date.

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 years and arise from tax burdens or tax benefits. Loss carryforwards are taken into account insofar as they can be offset against taxable income within the next five years. 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 that is not recognised in the balance sheet and essentially results from valuation differences for other provisions and from losses carried forward.

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

Provisions and accruals have been set up for contingent liabilities 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

Fixed Assets

The development of fixed assets including historical cost and accumulated depreciation/amortisation is illustrated separately in the fixed assets development schedule shown in the Annex to these Notes.

Receivables and Other Assets

Other assets of kEUR 72 (prior year: kEUR 72) have a remaining term of more than one year. As in the previous year, all receivables and the remaining other assets have a residual term of less than one year.

As in the prior year, receivables from affiliated companies relate to trade receivables.

Other Provisions and Accruals

Other provisions and accruals include provisions for rebates to health insurance companies (kEUR 5,087; prior year: kEUR 3,377), provisions for sales returns (kEUR 1,036; prior year: kEUR 720), warranty provisions (kEUR 450; prior year: kEUR 80) and personnel provisions (kEUR 1,354; prior year: kEUR 832).

Liabilities

All liabilities are unchanged from the previous year and exclusively have a residual term of up to one year.

As in the previous year, the liabilities to affiliated companies are trade liabilities resulting from service and supply transactions.

Other liabilities include tax liabilities of kEUR 297 (prior year: kEUR 126) and social security liabilities of kEUR 2 (prior year: kEUR 0).

Contingent liabilities

There are no contingent liabilities.

Other financial obligations

The total amount of other financial obligations from rental and leasing contracts amounts to kEUR 1,462 of which kEUR 888 relates to the rental agreement for the head office premises and additionally leasing costs for vehicles. Thereof, kEUR 507 is due within one year, kEUR 955 between 2 to 5 years.

4. Notes to the Profit and Loss Account

Sales Revenues

Sales revenues amounting to kEUR 36,600 (prior year: kEUR 28,713) were mainly derived from the sale of generic drugs, income from services provided amounted to kEUR 3,677 (prior year: kEUR 3,534). The sales revenues for product sales were generated exclusively in Germany.

Personnel Expenses

The expenses for pensions amounted to kEUR 16 (prior year: kEUR 19).

Other Operating Expenses

The largest items included within other operating expenses are the cost of scientific information and advertising amounting to kEUR 2.658 (prior year: kEUR 1.546), legal and consulting fees amounting to kEUR 785 (prior year: kEUR 811) and distribution services amounting to kEUR 745 (prior year: kEUR 683). Non-period losses from the disposal of intangible assets of kEUR 113 (prior year: kEUR 96) were incurred. Currency translation expenses amounted to kEUR 15 (prior year: kEUR 14).

Interest expenses

Interest expenses to affiliated companies amounted to kEUR 1 (prior year: kEUR 15).

5. Other disclosures

Management

Mr. Dr. Werner Schneider, Business Development

Mr. Anjan Selz, all departments except Business Development

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

Mrs. Dr. Sofia Mumtaz, President – IPMG (Department: New Products & Licensing) Ltd., Pune (India)

Mr. Sunil Makharia, President – Finance, Lupin Ltd., Mumbai (India) since 14 November 2019

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 2 persons received remuneration from Hormosan.

Employees

The Company employed on average 73 persons (prior year: 70).

Auditor's Fees

Auditor's total fees for the business year amounted to kEUR 79 and relate to audit services.

Significant events after the balance sheet date

No events of particular significance have occurred after the end of the financial year, which are not included in the profit and loss account or in the balance sheet.

Inclusion in 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 largest consolidated group. The consolidated financial statements of Lupin Ltd. are available under www.Lupin.com/annual-reports.php.

Profit Allocation

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

Frankfurt am Main, Germany, 30 April 2020

The Management Board

(Anjan Selz)

(Werner Schneider)

(Thierry Volle)

(Dr. Sofia Mumtaz)

(Sunil Makharia)

Hormosan Pharma GmbH, Frankfurt am Main, Germany

Development of fixed assets as at 31 March 2020

	Acquisition costs					Accumulated depreciation/amortisation				Net book values	
	Balance	Additions	Transfers	Disposals	Balance	Balance	Charge for	Disposals	Balance	Balance	Balance
	01.04.2019				31.03.2020					01.04.2019	the year
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets											
1. Licenses for industrial property rights acquired for a consideration	5,452,579.57	517,079.05	850.00	-167,715.50	5,802,793.12	-2,414,786.50	-509,641.47	55,027.78	-2,869,400.19	2,933,392.93	3,037,793.07
2. Payments on account	850.00	160,224.63	-850.00	0.00	160,224.63	0.00	0.00	0.00	0.00	160,224.63	850.00
	5,453,429.57	677,303.68	0.00	-167,715.50	5,963,017.75	-2,414,786.50	-509,641.47	55,027.78	-2,869,400.19	3,093,617.56	3,038,643.07
II. Tangible assets											
Fixtures, fittings and office equipment	648,064.57	16,104.09	0.00	-81,980.62	582,188.04	-454,563.09	-69,728.68	81,966.96	-442,324.81	139,863.23	193,501.48
III. Financial assets											
Shares in cooperatives	500.00	0.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00
	6,101,994.14	693,407.77	0.00	-249,196.12	6,545,205.79	-2,869,349.59	-579,370.15	136,994.74	-3,311,725.00	3,233,480.79	3,232,644.55

INDEPENDENT AUDITOR'S REPORT

To Hormosan Pharma GmbH, Frankfurt am Main, Germany

Audit opinions

We have audited the annual financial statements of Hormosan Pharma GmbH, Frankfurt am Main, Germany, comprising the balance sheet as at 31 March 2020, the profit and loss account for the business year from 1 April 2019 to 31 March 2020 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 GmbH, Frankfurt am Main, Germany for the business year from 1 April 2019 to 31 March 2020.

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 2020 and of its financial performance for the business year from 1 April 2019 to 31 March 2020 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 Legal Representatives for the Annual Financial Statements and the Management Report

The legal representatives 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 legal representatives 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.

In preparing the annual financial statements, the legal representatives 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 legal representatives 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 legal representatives 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 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 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' 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 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 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 2020

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

[signed]
(Thomas Ludwig)
Wirtschaftsprüfer
[Certified Public Auditor]

[signed]
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Wirtschaftsprüfer
[Certified Public Auditor]

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General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

DokID:

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.