

## **Audit Report**

# **Annual Financial Statements as at March 31, 2025 and the Management Report for the 2024/2025 Financial Year**

Sun Pharmaceuticals Germany GmbH  
Leverkusen

- TRANSLATED VERSION OF THE GERMAN ORIGINAL -

Forvis Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

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To Sun Pharmaceuticals Germany GmbH, Leverkusen:

## A. AUDIT ENGAGEMENT

We were appointed by the shareholder of

**Sun Pharmaceuticals Germany GmbH,  
Leverkusen,**  
(hereinafter „Company“ or „Sun Germany“)

to be the auditor for the financial year ending on February 26, 2025 at the shareholder meeting on February 26, 2025.

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was renamed to Forvis Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft with effect from June 1, 2024. The legal identity was not affected by the change of name.

In performing the audit engagement awarded to us by the management, we conducted our audit of the annual financial statements as at March 31, 2025 together with the accounting system and the management report from April 1, 2024 to March 31, 2025 in accordance with § 317 HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements.

In accordance with § 321 (4a) HGB, we confirm our observance of the applicable regulations governing independence during the performance of our audit.

This report was prepared in accordance with the auditing standard AuS 450 n.F. (10.2021) “Generally accepted standards for the issuance of long-form audit reports for the audits of financial statements” issued by the Institute of Public Auditors in Germany, Incorporated Association [Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)].

The performance of our engagement and our responsibility, also towards any third parties, are governed by the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (Public Audit Firms) as amended on January 1, 2024, attached as an appendix. Accordingly, our liability is limited in accordance with No. 9 of the General Engagement Terms for Wirtschaftsprüfer. Towards third parties, No. 1 (2) and No. 9 of the General Engagement Terms apply.

Please note that this document is a translation of the German audit report, which is the solely legally binding version.

## B. REPRODUCTION OF THE AUDITOR'S REPORT

**[Note: This is a convenience translation of the German original. Solely the original text in the German language is authoritative.]**

We issued the following unqualified auditor's report:

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

To the Sun Pharmaceuticals Germany GmbH, Leverkusen

#### **Audit Opinions**

We have audited the annual financial statements of Sun Pharmaceuticals Germany GmbH, Leverkusen, which comprise the balance sheet as at March 31, 2025, and the statement of profit and loss for the financial year from April 1, 2024 to March 31, 2025, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Sun Pharmaceuticals Germany GmbH, Leverkusen, for the financial year from April 1, 2024 to March 31, 2025.

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 March 31, 2025 and of its financial performance for the financial year from April 1, 2024 to March 31, 2025 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 § 322 Abs. 3 Satz [sentence] 1 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 § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the 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 controls 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 fraudulent acts (i.e. accounting manipulation and asset misappropriation) 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 fraudulent acts (i.e. accounting manipulation and asset misappropriation) 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 § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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 legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives 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.”



## C. GENERAL FINDINGS

### Opinion on the assessment of the position of the Company by its legal representatives

#### 1. Economic position and course of business

In our opinion, the management report of the legal representatives contains the following significant assertions regarding the Company's economic position and its course of business:

- In the period under review from March 1, 2024, to February 28, 2025, the total sales of generics amount to more than € 7.60 billion (source: Insight Health NPI MAT 02 2025). This stands for a sales-plus of approx. 1.6 % compared to the same period of the previous year, whereas the sales volume increased by approx. 0.3 % (source: *ibid.*).
- With a gross turnover (to be understood here as the sales revenues at manufacturer's prices before deduction of discounts and other sales deductions) of € 30.5 million, Sun Pharmaceuticals Germany GmbH ranks 48th among the generic companies with the highest turnover in the period under review (03/2024-02/2025). Including the branded product Odomzo®, this results in total gross sales in the prescription sector of more than € 43.7 million in Germany. In the hospital business, the turnover of Sun Pharmaceuticals Germany GmbH amounts to € 7.1 million.
- In the period under consideration from 1 April 2024 to 31 March 2025, Sun Pharmaceuticals Germany GmbH's sales in the Scandinavian countries (Sweden, Norway, Finland and Denmark) amount to € 18.5 million (previous year: € 17.3 million). Of this amount, € 2.0 million was attributable to the specialty product Odomzo® (previous year: € 1.4 million).
- As in the previous years the focus of Sun Pharmaceuticals Germany GmbH's business in Germany is on the expansion of successful participation in tenders and contracts with purchasing groups which has a significant impact on product sales. In the Scandinavian business, further growth is being achieved through participation in tenders and the expansion of contracts with individual hospital regions. The "Specialty Products" segment is becoming increasingly important in the product portfolio across all countries.
- The gross profit margin was higher at 18.1 % (previous year: 15.5 %) thanks particularly to the higher weighting of the higher-margin business with specialty products and to a higher proportion of services.
- The personnel cost ratio this year is 2.3 % (previous year: 1.6 %) due to an expansion of the sales workforce.
- With an overall stable financial result and after deduction of income taxes, the annual profit amounts to € 1.1 million.
- The financial situation of the company can be described as very stable.

- The value of inventories amounts to € 16.9 million, with total assets of € 28.3 million. The € 5.9 million increase in inventories is due to stockpiling effects in the tender business and specialty products.

## **2. Future development with its significant opportunities and risks**

Considering the future development of the Company as presented in the management report, we draw particular attention to the following main assertions. In many cases, these are based on assumptions entailing discretionary judgement by the legal representatives.

- Management continues to view the expected development of Sun Pharmaceuticals Germany GmbH positively.
- Current sales figures can be secured through molecules already awarded contracts, whose contract start dates are in the coming fiscal year.
- Compared to 2024/2025, the planning envisages an increase in turnover (merchandise sales) of approximately 15 %. The expected target corridor for EBIT to sales is 1.5-3.0 %.
- As a general rule, the tender business on which Sun Pharmaceuticals Germany GmbH has focussed its activities involves certain risks. This includes, in some cases, not insignificant contractual penalties in the event of inability to deliver or write-off costs, which can arise due to overstocking of products with comparatively low turnover volumes. These risks are exacerbated by the statutory requirement of six months' inventory for pharmaceuticals in tender contracts. This can lead to an increased need for write-offs. To minimize these risks and ensure a continuous and needs-based supply of products, internal processes are continuously optimized accordingly. Furthermore, the strained economic situation of some hospitals is leading to cuts in patient care and clinic closures. Markets not regulated by discount contracts, such as Finland and Norway, are also subject to risks due to increasing competition.
- The conflict between Russia and Ukraine and the conflicts in the Middle East currently have no direct impact on the company's business activities. However, negative effects cannot be ruled out in the future due to the global interdependence of the supply chains within the group.
- The following focusses and opportunities have been identified: extension of the product ranges by additional dosage strengths, dosage forms or packaging sizes, the launch of new products in existing and new indication areas and intensified cooperation within the corporate group.
- In our opinion, risks for the future development are associated with the highly competitive surroundings in the area of tender agreements and the rising purchase prices and stagnating and, in part, downward sales price level as a result of permanent legal regulatory measures in particular. In the light of the stability of the liquidity of our company, we do not see any risks jeopardizing our position.

### **3. Concluding statement**

On the basis of executing our professional duties in performing the audit, we conclude that the management report as a whole provides a suitable view of the Company's position. In all material respects the management report is consistent with the annual financial statements, complies with the legal requirements and suitably presents the opportunities and risks of future development.

## D. SUBJECT, NATURE AND SCOPE OF THE AUDIT

### Subject of the audit

The subject of our audit was the annual financial statements prepared in accordance with the principles of German commercial law and the management report.

### Definition of responsibilities

We point out that the management of Sun Pharmaceuticals Germany GmbH is responsible for the accounting and the preparation of the annual financial statements as well as the management report and the internal controls established for this purpose and the information provided to the auditor.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

Our responsibility is to issue an opinion on the annual financial statements together with the accounting records and the management report based on the audit we have performed. We have audited the management report to determine whether it is consistent with the annual financial statements and the findings of our audit, complies in all material respects with the legal requirements, and as a whole provides a suitable view of the Company's position. In doing so, we also examined whether the anticipated development with its significant opportunities and risks is accurately presented.

An audit of compliance with other statutory provisions was part of our audit engagement only to the extent that such other provisions customarily have an effect on the annual financial statements or on the management report.

### Scope of the audit

Our audit was conducted in accordance with § 317 HGB and with the German generally accepted auditing standards required for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany, Incorporated Association [Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)].

Those standards require that we plan and perform the audit such that misstatements due to fraudulent acts or errors materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.

The subject of our engagement was neither the detection and clarification of criminal offences, such as embezzlement or other acts of breach of trust, nor regulatory offences committed outside the scope of accounting. Pursuant to § 317 (4a) HGB, an audit of the financial statements also does not have to cover whether the Company's ability to continue as a going concern or the effectiveness and efficiency of the management can be assured. However, we have planned and performed the audit to obtain reasonable assurance about whether the accounting records are free from material misstatement. The legal representatives of the Company are responsible for the establishment and implementation of suitable measures to prevent or detect irregularities.

The audit included assessing the accounting policies, measurement methods and classification principles applied and significant estimates made by management as well as critically evaluating the overall presentation of the annual financial statements and the management report.

### **Starting point of the audit**

Our starting point was the prior year annual financial statements as at March 31, 2024 audited by us and the unqualified audit opinion thereon.

### **Risk-based audit approach**

On the basis of the risk of material misstatements, we prepared a risk profile for disclosures in the accounting. For this purpose we conducted audit procedures for assessing risk and first obtained an understanding of the Company as well as an overview of its economic and legal environment. Based on this understanding, we analysed the objectives and strategies of the Company as well as their implementation in order to determine business risks that could lead to significant errors in accounting. Based on discussions with management, the examination of the Company's organisational documents and our professional judgement, we reviewed and assessed the design of the Company's internal controls and which measures the Company had taken to particularly ensure the propriety and reliability of the accounting in order to mitigate business risks, however not for the purpose of assessing the effectiveness of the internal controls.

On the basis of our risk assessment, we subsequently identified specific audit areas and developed the audit plan accordingly. In this audit plan we determined the focus of the audit and the audit objectives for each audit area as well as the nature and scope of the audit procedures. The chronological sequence of the audit and staff deployment was also planned therein.

## **Key audit points**

The following key audit points were established in the reporting year:

- Existence and valuation of inventories,
- Evidence and evaluation of trade accounts receivable,
- Completeness and evaluation of accruals,
- Existence and accuracy of sales.

## **Audit procedures performed**

Due to the manageable size of the Company and the low complexity of the organisational structures and internal controls, we primarily performed statement-based audit procedures (analytical audits and case-by-case reviews), in particular:

- Obtaining confirmations from financial institutions,
- Obtaining balance confirmations from customers and suppliers on a sample basis,
- Conviction of the regularity of the perpetual inventory, among others, by sample counts in the warehouse as at the balance sheet date and in the consignment stores in Sweden, Denmark and Finland (via video transmission).

## **Time schedule and letter of completeness**

We performed the audit particularly – in accordance with our time schedule – in April and May 2025.

Management provided us with all explanations and evidence we requested.

In the written letter of representation provided to us, the legal representatives of the Company assured us that the explanations and evidence were complete. Furthermore, they stated that all business transactions had been recorded and disclosed in the annual financial statements and in the management report.

## E. FINDINGS ON AND EXPLANATIONS OF THE ACCOUNTING

### I. Generally accepted accounting principles

#### 1. Accounting records and other documents audited

Our audit verified that the formal and material propriety of the accounting complied with German generally accepted accounting principles and other legal requirements.

The accounting records of the Company were maintained properly. The records were complete. Based on the findings of our audit, the accounting records and other documents audited complied in all material respects with legal regulations. The information extracted from other documents audited was in all material respects properly reflected in the accounting records, in the annual financial statements and in the management report.

The organisation of the accounting, the accounting-related internal controls, data flows and recordkeeping were fundamentally appropriate for ensuring the completeness, the accuracy, the timely and orderly recording and booking of business transactions.

#### 2. The Annual financial statements

The annual financial statements we have audited for the financial year from April 1, 2024 to March 31, 2025 have been in all material respects properly derived from the accounting records and the underlying documents of the Company. The balance sheet and the income statement were in all material respects prepared in accordance with German commercial law and regulations governing the accounting for corporations/commercial partnerships within the meaning of § 264a (1) HGB including the principles of proper accounting and the supplementary provisions of the articles of association/incorporation.

The opening balances were properly taken over from the prior year's annual financial statements. Statutory regulations on recognition, disclosure and measurement were in all material respects observed.

The notes include the explanations of the balance sheet and the income statement required as well as all other information required.

#### 3. Management report

The management report we audited for the financial year from April 1, 2024 to March 31, 2025 complies with legal regulations in all material aspects.

## II. Overall presentation of the annual financial statements

### 1. Findings on the overall presentation of the annual financial statements

On the basis of the audit we performed by executing our professional duties, we are of the opinion that the annual financial statements as a whole give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with generally accepted accounting principles.

### 2. Measurement bases

The disclosures made concerning the accounting policies applied and measurement methods used were included in the Company's notes (Appendix 3).

The exercise of accounting policy and measurement options as well as discretionary judgement for the following items in the annual financial statements have had a significant influence on the net assets, financial position and results of operations:

The other provisions are recognized for all risks and contingent liabilities identified up to the date of preparation of the annual financial statements in an amount based on prudent business practice. They mainly consist of the provision of k€ 16,831 (previous year: k€ 16,874) for health insurance fund discounts. This provision covers the discounts that are likely to be granted to tender contract partners. As some of the tender contract partners only settle with the Company once a year, the discounts that are expected to be paid had to be estimated as at March 31, 2025. The amount of the provision recognized in this respect is mainly estimated on the basis of the quantities of products included in the discount agreements sold to pharmaceutical wholesalers.



## F. FINAL REMARKS

Publication or reproduction of the annual financial statements and the management report of Sun Pharmaceuticals Germany GmbH, Leverkusen, for the financial year from April 1, 2024 to March 31, 2025 in a form different from the certified form, which is attached as an Appendix to this report, again requires our consent if our auditor's report is quoted or if reference is made to our audit. We herein refer to § 328 HGB.

Cologne, May 12, 2025

Forvis Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Martin Schulz-Danso  
Wirtschaftsprüfer  
(German Public Auditor)

Marcus Koerner  
Wirtschaftsprüfer  
(German Public Auditor)

## APPENDICES

## Sun Pharmaceuticals Gemany GmbH, Leverkusen

## Balance sheet as of March 31, 2025

## Assets

	€	Status on 31/03/2025 €	Status on 31/03/2024 €
<b>A. Fixed Assets</b>			
<b>Tangible fixes assets</b>			
Other assets, plant, machinery and office equipment		<u>40,000.00</u>	<u>52,000.00</u>
<b>B. Current Assets</b>			
<b>I. Inventories</b>			
Finished goods		16,944,550.31	<u>11,063,470.01</u>
<b>II. Accounts receivable and other assets</b>			
1. Trade accounts receivable	9,750,617.72		8,739,199.81
2. Accounts due from affiliated companies	0.00		49,272.44
3. Other current assets	<u>78,651.74</u>		<u>76,719.80</u>
		9,829,269.46	<u>8,865,192.05</u>
<b>III. Cash in hand and at banks</b>		<u>1,393,346.27</u>	<u>1,837,117.35</u>
		<u>28,167,166.04</u>	<u>21,765,779.41</u>
<b>C. Deferred Charges and prepaid Expenses</b>		<u>57,521.91</u>	<u>57,551.54</u>
		<u>28,264,687.95</u>	<u>21,875,330.95</u>

## Sun Pharmaceuticals Gemany GmbH, Leverkusen

Balance sheet as of March 31, 2025

## Liabilities and Shareholders' Equity

	€	Status on 31/03/2025 €	Status on 31/03/2024 €
<b>A. Shareholders' Equity</b>			
I. Capital subscribed		25,000.00	25,000.00
II. Profit/Loss carried forward		698,719.28	-150,813.67
III. Profit for the year		<u>1,068,652.64</u>	<u>849,532.95</u>
		1,792,371.92	<u>723,719.28</u>
<b>B. Provisions</b>			
1. Tax accruals	214,701.42		384,740.53
2. Other accruals	<u>17,861,546.12</u>		<u>17,813,456.73</u>
		18,076,247.54	<u>18,198,197.26</u>
<b>C. Liabilities</b>			
1. Prepayments received on orders	0.00		500,000.00
2. Trade liabilities	1,365,951.45		407,815.08
3. Accounts due to affiliated companies	6,774,091.01		1,402,575.96
- thereof to shareholders: € 0.00			
(prior year: € 251,182.25) -			
4. Other liabilities	256,026.03		643,023.37
- thereof from taxes: € 245,880.95			
(prior year: € 639,240.27) -			
- thereof from social security:			
€ 9,564.28 (prior year: € 3,783.10) -			
		<u>8,396,068.49</u>	<u>2,953,414.41</u>
		<u>28,264,687.95</u>	<u>21,875,330.95</u>

# Sun Pharmaceuticals Gemany GmbH, Leverkusen

## Profit and Loss Account for the period from April 1, 2024 to March 31, 2025

	€	€	2023/2024 €
1. Sales		49,563,702.60	47,664,485.08
2. Other operating income		481,651.98	808,681.90
- thereof from exchange rate gains: € 190,921.07 (prior year: € 152,200.73) -			
3. Cost of materials			
Cost of raw materials, supplies and trading stock		-40,606,009.12	-40,257,029.68
4. Personnel expenses			
a) Wages and salaries	-895,290.69		-642,270.35
b) Social security	-226,902.53		-129,816.38
- thereof for pensions: € 49,586.16 (prior year: € 15,791.00) -			
		-1,122,193.22	
5. Depreciation on intangible and tangible assets		-12,000.00	-8,000.00
6. Other operating expenses		-7,151,847.28	-6,418,387.19
- thereof from exchange rate losses: € 439,686.31 (prior year: € 593,451.84) -			
7. Other interest and similar income		165,552.26	177,635.14
8. Interest and similar expenses		-3,492.87	-17,870.29
- thereof to affiliated companies: € 2,485.04 (prior year: € 17,619.29) -			
9. Taxes on income		-246,711.71	-327,895.28
<b>10. Result after taxes</b>		<u>1,068,652.64</u>	<u>849,532.95</u>
<b>11. Net income</b>		<u><u>1,068,652.64</u></u>	<u><u>849,532.95</u></u>

**Sun Pharmaceuticals Germany GmbH,  
Leverkusen**

**Annex to the financial statements for the financial year  
from April 1, 2024, to March 31, 2025**

**I. General**

Sun Pharmaceuticals Germany GmbH has its registered seat in Leverkusen and is registered in the Register of Companies of the Local Court in Cologne (Reg. No. HRB 85786).

The annual financial statements as at March 31, 2025, were drawn up in accordance with the provisions of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) as are applicable for mid-sized corporations within the meaning of article 267 para. 2 HGB in conjunction with the provisions of the German Limited Companies Act (GmbHG).

The annual financial statements consist of the balance sheet, the profit and loss account and the Annex (including the fixed assets schedule). The profit and loss account is drawn up by the aggregate cost method according to § 275 para 2 HGB. In preparing the notes to the financial statements, the company has made use of the relief provided by § 288 HGB.

**II. Accounting and valuation principles**

The valuation of the **intangible** and the **tangible assets** is effected at purchase prices reduced by the scheduled straight-line depreciation or at the lower value to be attributed. The straight-line depreciation was calculated according to the normal (tax) useful life. Additions are depreciated pro rata temporis.

The **inventories** are valued in compliance with the lower-of-cost-or-market rule, either at purchase prices or the lower value to be attributed at the balance sheet date.

The valuation of the **accounts receivable**, the **other assets** as well as the **liquid funds** is carried out at nominal value.

The **prepaid expenses** show expenses prior to the date of the balance sheet as far as these expenses relate to a particular period after the date of the balance sheet.

The **provisions for taxation and other accruals** allow for any recognizable risks and contingent liabilities at the date the financial statements are drawn up. They are reported at the performance amount required for reasonable financial assessment.

The **liabilities** are carried at their amount payable.

**Foreign currency receivables and liabilities** are valued using the mean spot exchange rate as at balance sheet date.

### III. Notes to the balance sheet

#### 1. Fixed assets

The development of the individual items of the fixed assets is represented in the fixed assets schedule attached to the Annex.

#### 2. Current assets

The **accounts receivable and the other assets** are all due within less than one year.

#### 3. Other accruals

Other accruals comprise the following main items:

	k€
Invoices not yet settled	17,741
Human resources	105
Audit	<u>16</u>
	<u>17,862</u>

The invoices not yet settled relate in particular to outstanding settlements under tender agreements made with various health insurance providers (k€ 16,831). The amount of the provision formed in this respect is estimated essentially on the basis of the quantities of the products included in the tender agreements sold to pharmaceutical wholesalers.

#### 4. Liabilities

The liabilities are all due within less than one year. The liabilities to affiliated companies (k€ 6,774) relate to trade payables.

#### IV. Notes to profit and loss account

The **sales** have been accounted for according to the revision of article § 277 para. 1 HGB in the version of the BilRUG:

	k€
Revenue from the sale of products	48,841
Revenue from the performance of services	<u>723</u>
	<u>49,564</u>

The geographical breakdown is as follows:

	k€
Germany	31,054
Scandinavia (Sweden, Denmark, Finland, Norway)	<u>18,510</u>
	<u>49,564</u>

**Other operating income** (k€ 482) includes, as material items, income from cost allocations to group companies (k€ 256) and exchange gain (k€ 191).

The **other operating expenses** are composed as follows:

	k€
Administrative expenses	4,824
Marketing and distribution expenses	1,832
Exchange loss	440
Expenses for regulatory and quality assurance	<u>56</u>
	<u>7,152</u>



## V. Other information

### 1. Auditors' fee

The total fee calculated for the financial year relates to audit services and reviews of quarterly financial statements and amounts to k€ 33.

### 2. Staff

The company's staff comprises 9 employees on an annual average.

### 3. Management, advisory board

In the financial year under review:

Hellen de Kloet, pharmacist, Bennebroek, Netherlands,

was appointed as director.

The company takes advantage of the option provided by article 286 para. 4 HGB.

Members of the advisory board:

Hellen de Kloet	Pharmacist	Bennebroek (Netherlands)
Prashant Savla	Merchant	Hoofddorp (Netherlands), correspondence address
Ahmed Banjaddi	Merchant	Leverkusen

### 4. Supplementary report

After the closure of the financial year 2024/2025, no events of major importance have occurred that affect the present financial statements.

The conflict between Russia and Ukraine and the conflicts in the Middle East currently have no direct impact on the company's business activities. However, negative effects cannot be ruled out in the future due to the global interdependence of the supply chains within the group.

### 5. Appropriation of net income

The financial year closes with an annual net profit of k€ 1,069. The director recommends that the profit should be carried forward to new account.

## 6. Group affiliation

Sun Pharmaceuticals Germany GmbH is a wholly owned subsidiary of Alkaloida Chemical Company ZRT, Tiszavasvári/Hungary, and is integrated in the consolidated financial statements of Sun Pharmaceutical Industries Limited, Mumbai/India.

The consolidated financial statements of Sun Pharmaceutical Industries Limited can be inspected at <https://sunpharma.com/investors-annual-reports-presentations>.

Leverkusen, May 08, 2025

Sun Pharmaceuticals Germany GmbH  
Leverkusen

Hellen de Kloet

Fixed assets movement schedule for the period April 1, 2024 to March 31, 2025

	Historical costs			Accumulated depreciation			net book value	
	Status on 1.4.2024	Additions	Disposals	Status on 31.3.2025	Status on 1.4.2024	Additions	Disposals	Status on 31.3.2025
	€	€	€	€	€	€	€	€
<b>Intangible assets</b> Licenses, trademarks and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	195,000.00	0.00	0.00	195,000.00	143,000.00	12,000.00	0.00	40,000.00
	195,000.00	0.00	0.00	195,000.00	143,000.00	12,000.00	0.00	40,000.00

**Sun Pharmaceuticals Germany GmbH,  
Leverkusen**

**MANAGEMENT REPORT FOR THE FINANCIAL YEAR  
FROM APRIL 1, 2024, TO MARCH 31, 2025**

**Object of the company**

Sun Pharmaceuticals Germany GmbH for the most part distributes generic pharmaceuticals of the Indian company Sun Pharmaceutical Industries Limited (Sun Pharma). Sun Pharma is the largest pharmaceutical enterprise in India and amongst the fifth largest manufacturers of generics worldwide.

With its portfolio of products, the company operates on the German health market, the focus being laid on generics on the pharma market. The main customers are wholesalers, hospital and public pharmacies. Furthermore, distribution channels via the business-to-business (B2B) sector and also via distributors in the Scandinavian countries are of great importance to Sun Pharmaceuticals Germany GmbH.

**Economic report**

**General framework and business trend**

**The generics market in Germany**

In the period under review from March 1, 2024, to February 28, 2025, the total sales of generics amount to more than € 7.60 billion (source: Insight Health NPI MAT 02 2025). This stands for a sales-plus of approx. 1.6 % compared to the same period of the previous year, whereas the sales volume increased by approx. 0.3 % (source: ibid.).

On the German pharmaceuticals market, in the generics-compliant segment (generics, former originals whose patent has expired), tender agreements have taken root as a permanent feature. In the period from 03/2024 to 02/2025 the share of the generic preparations sold under tender agreements in medical prescriptions was 76 % (source: Insight Health NPI-KT, MAT 02.2025).

The price competition remains intense. In addition, the maintenance of the co-payment exemption option and the additional reduction of the reference price of individual products - part of which are significant - will continue to produce effects on profitability.

For the period from 03/2024 to 02/2025 under review, the top 25 generic drug manufacturers in Germany and Sun Pharmaceuticals Germany GmbH in the prescription drug segment rank as follows:

Rank	Manufacturer	03/2024 - 02/2025 Sales ApU* (in € mn)	03/2024 - 02/2025 Growth
1	1 A Pharma	604.9	3%
2	Zentiva Pharma	603.8	11%
3	Aliud	426.2	-8%
4	ratiopharm	391.8	-7%
5	Hexal	324.7	-15%
6	Heumann	300.7	2%
7	Aristo Pharma	264.1	-3%
8	PUREN Pharma	254.1	6%
9	neuraxpharm	202.2	0%
10	Stadapharm	200.9	15%
11	betapharm	178.7	-14%
12	Glenmark	173.9	22%
13	TAD Pharma	168.8	-13%
14	Viartis Heal.B.	165.5	-6%
15	Micro Labs	151.9	5%
16	Medac	151.2	-1%
17	Basics	141.9	11%
18	ABZ Pharma	131.9	-11%
19	Heunet	103.7	4%
20	Falk	103.1	2%
21	Accord	100.8	-12%
22	Besins Healthc.	96.0	32%
23	Medical Valley	82.6	-14%
24	Infectopharm	76.1	31%
25	Teva	76.0	-3%
48	Sun Pharmac.G.	30.5	29%

\*) ApU = sales price of pharmaceutical companies  
Source: Insight Health NPI MAT 02.2025

As in the previous years, the German generics market was for the most part dominated by the top three groups of companies - Sandoz (1A/Hexal), Stada (Stadapharm/Aliud) and Advent International (Zentiva) - which together had a market share of about 28 % of the sales volume (source: Insight Health, NPI MAT 02.2025). These groups of companies are most successful in using their broad and deep portfolio and their offering strategies to be awarded a great part of the tender agreements tendered by the health insurance companies.

With a gross turnover (to be understood here as the sales revenues at manufacturer's prices before deduction of discounts and other sales deductions) of € 30.5 million, Sun Pharmaceuticals Germany GmbH ranks 48<sup>th</sup> among the generic companies with the highest turnover in the period under review (03/2024-02/2025). Including the branded product Odomzo®, this results in total gross sales in the prescription sector of more than € 43.7 million in Germany. In the hospital business, the turnover of Sun Pharmaceuticals Germany GmbH amounts to € 7.1 million.

In the financial year under review, too, numerous statutory health insurance providers launched invitations to tender for tender agreements in which Sun Pharmaceuticals Germany GmbH took successfully part. In addition, in the period reviewed, several tender agreements with various health insurance companies became effective which had been tendered for in the previous year and had been awarded to Sun Pharmaceuticals Germany GmbH. Between 03/2024 and 02/2025, Sun Pharmaceuticals Germany started new tender agreements for two molecules with the health insurances and umbrella associations AOK, "Ersatzkassen" (BARMER, DAK, TK, KKH, hkk, HEK) and spectrumK.

With regard to the hospital business, Sun Pharmaceuticals Germany GmbH is currently participating in tenders of the purchasing associations for 17 molecules. In the period 03/2024-02/2025, contracts were started for twelve tenders won for sixteen molecules. In addition, supply agreements for 16 products are in place with five specialty pharmacies and purchasing groups.

During the financial year from 04/2024 to 03/2025, to expand its portfolio, Sun Pharmaceuticals Germany GmbH introduced pharmaceuticals for two molecules.

The business development in the year under review (annual net profit: € 1.1 million) is assessed as positive by the management.

### **The specialty products division**

Specialty products tend to be characterized by a rather small quantity volume with significantly higher sales prices compared to generic products.

This division previously included a product under the brand name Odomzo®, which is used in the oncology therapeutic area. Sales generated with this product amounted to € 15.7 million in the fiscal year (previous year: € 13.3 million). In September 2024, the portfolio was expanded to include a second product under the brand name Cequa® (initially only in Germany), which belongs to the ophthalmology therapeutic area. Sales generated with this product amounted to € 0.4 million in the fiscal year.

### **Business activities in the Scandinavian countries**

In the period under consideration from 1 April 2024 to 31 March 2025, Sun Pharmaceuticals Germany GmbH's sales in the Scandinavian countries (Sweden, Norway, Finland and Denmark) amount to € 18.5 million (previous year: € 17.3 million). Of this amount, € 2.0 million was attributable to the specialty product Odomzo® (previous year: € 1.4 million).

In Sweden, Sun Pharmaceuticals Germany GmbH successfully participated in the monthly national tenders for the generic medicines. The company also has contracts out of tenders with all Swedish hospital regions supplied in the period under review 04/2024-03/2025. Sun Pharmaceuticals Germany GmbH's sales in the Swedish market amounted to SEK 108.6 million (€ 9.7 million).

In Norway, sales were made through the three pharmacy chains. In the hospital business, the company successfully participated in the tenders of the four hospital regions in Norway. The turnover of Sun Pharmaceuticals Germany GmbH in the Norwegian market amounted to NOK 29.5 million (€ 2.5 million).

In Finland, the drugs were distributed, among other things, through a B2B contract with an industrial customer. In the hospital business, the company has several contracts with all five hospital regions, which have a term of two to three years. Sun Pharmaceuticals Germany GmbH's sales in the Finnish market amounted to € 4.4 million.

In Denmark, the company concluded several central hospital contracts for the drugs covering the entire Danish hospital market. As part of a Danish-led tender for hospitals, Iceland was also supplied. Sun Pharmaceuticals Germany GmbH's sales in the Danish market amounted to DKK 14.2 million (€ 1.9 million).

## EARNINGS SITUATION

As in the previous years the focus of Sun Pharmaceuticals Germany GmbH's business in Germany is on the expansion of successful participation in tenders and contracts with purchasing groups which has a significant impact on product sales. In the Scandinavian business, further growth is being achieved through participation in tenders and the expansion of contracts with individual hospital regions. The "Specialty Products" segment is becoming increasingly important in the product portfolio across all countries.

Sales revenues increased by 4.0 % to € 49.6 million. The forecast made at the beginning of the financial year (€ 51.4 million) was only achieved by 96,5 % due to declining sales to industrial customers (- € 2.9 million).

The gross profit margin was higher at 18.1 % (previous year: 15.5 %) thanks particularly to the higher weighting of the higher-margin business with specialty products and to a higher proportion of services.

The personnel cost ratio this year is 2.3 % (previous year: 1.6 %) due to an expansion of the sales workforce.

Other operating expenses showed a total increase of € 0.7 million (+11.4 %), particularly due to higher marketing expenses.

Operating profit amounted to € 1.2 million (previous year: € 1.0 million). The return on sales amounted to 2,3 % (previous year: 2.1 %).

With an overall stable financial result and after deduction of income taxes, the annual profit amounts to € 1.1 million.

## FINANCIAL SITUATION

The financial situation of the company can be described as very stable. Financial management is geared towards settling liabilities within the payment period and collecting receivables within the payment period.

Short- to medium-term assets are € 6.4 million higher than in the previous year and now amount to 99.9 % of the balance sheet total (previous year: 99.8 %).

The value of inventories amounts to € 16.9 million, with total assets of € 28.3 million. The € 5.9 million increase in inventories is due to stockpiling effects in the tender business and specialty products.

Due to the reporting date, trade receivables increased by € 1.0 million to € 9.8 million.

Cash and cash equivalents decreased by € 0.4 million as of the reporting date.

Other provisions remain virtually unchanged at € 17.9 million.

Liabilities to affiliated companies increased by € 5.4 million to € 6.8 million as a result of the stockpiling measures.

Other liabilities (mainly from taxes) are € 0.4 million lower as of the reporting date.

Overall, the balance sheet total increased by € 6.4 million.

The equity ratio improved from 3.3 % to 6,3 %.

## Financial indicators

For our internal management control, we use the net sales and the operating result (EBIT) as well as the EBIT as a percentage of sales as indicators.

With net sales of € 49.6 million and an operating result of € 1.2 million, the EBIT to sales is 2.3 %. Net sales of € 51.4 million and an EBIT to sales of 1.5-3.0 % were budgeted.



## Forecast report

We continue to view the expected development of Sun Pharmaceuticals Germany GmbH positively. The pharmaceutical industry offers significant growth potential in the generics sector, particularly with regard to the conclusion of additional tender agreements if service, price, and quality are strictly aligned with customer requirements, as well as in the specialty products sector.

Accordingly, sales-boosting effects are expected from successful participation in new tenders and product launches in the coming years. This includes the extension of existing contractual partnerships and the conclusion of contracts for additional substances with all major German statutory health insurance funds, umbrella associations of health insurance funds, and purchasing groups, as well as the tendering authorities and hospital regions in the Scandinavian countries. Current sales figures can be secured through molecules already awarded contracts, whose contract start dates are in the coming fiscal year. For example, discount agreements with the AOK health insurance funds in a single-partner model for two molecules will start in June 2025. We also remain well positioned in the German hospital business thanks to numerous ongoing contracts with various purchasing groups. Between April 2024 and March 2025, we further expanded our collaboration with the largest purchasing groups. It is particularly important that the availability of products is ensured thanks to a professional inventory management system, and that inventory levels undergo a continuous review process.

For the new business year, new launches of various molecules on the German and Scandinavian markets are planned. These include extensions or additions to the existing product portfolio, which will both increase competitiveness and have positive effects on net profit.

In the “Specialty Products” division, an increase in market share is planned both in Germany and in the Scandinavian countries by intensifying marketing activities.

Compared to the previous year the planning for 2025/2026 envisages an increase in turn-over (merchandise sales) of approximately 15 %. The expected target corridor for EBIT to sales is 1.5-3.0 %.

## Risk report

As a general rule, the tender business on which Sun Pharmaceuticals Germany GmbH has focussed its activities involves certain risks. This includes, in some cases, not insignificant contractual penalties in the event of inability to deliver or write-off costs, which can arise due to overstocking of products with comparatively low turnover volumes. These risks are exacerbated by the statutory requirement of six months' inventory for pharmaceuticals in tender contracts. This can lead to an increased need for write-offs. To minimize these risks and ensure a continuous and needs-based supply of products, internal processes are continuously optimized accordingly. Furthermore, the strained economic situation of some hospitals is leading to cuts in patient care and clinic closures. Markets not regulated by discount contracts, such as Finland and Norway, are also subject to risks due to increasing competition.

In addition, to further minimize the business risks on the procurement side, the sources of supply are diversified by regions (Europe and Asia), if possible.

The rising energy and raw material prices result in higher costs in production and distribution and have a corresponding effect on the overall costs of the products

The credit risk on trade receivables from the sale of pharmaceutical products is recognised by corresponding individual value allowances. A general bad debt allowance is not necessary due to stringent customer monitoring and the very low default rates resulting thereon.

The conflict between Russia and Ukraine and the conflicts in the Middle East currently have no direct impact on the company's business activities. However, negative effects cannot be ruled out in the future due to the global interdependence of the supply chains within the group.

An acute liquidity risk or a risk that threatens the existence of Sun Pharmaceuticals Germany GmbH is currently not recognizable.

Major foreign currency risks which might have an influence on the financial and earnings position of the company do not exist. Incoming supplies of goods from countries outside the euro region are settled in euros. The potential currency risk from sales of goods in the Scandinavian countries that are not transacted in euros is compensated for, if necessary, by corresponding adjustments to the purchase prices within the Group.

## **Opportunities report**

The health market is, and will remain, a growth market.

The following focusses and opportunities have been identified:

- extension of the product ranges by additional dosage strengths, dosage forms or packaging sizes,
- the launch of new products in existing and new indication areas and
- intensified cooperation within the corporate group.

We consider ourselves to be well prepared for continuously participating in all significant future invitations to bid by health insurance providers, laying the focus also on attaining higher profit margins, wherever possible. Likewise, there are plans to optimize the portfolio with a view to better covering the requirements of future calls for tenders.

The future expansion of the portfolio in the area of specialty products as well as an increase in market shares in Germany and the Scandinavian countries for the products already marketed will enable above-average growth opportunities.

## **Overall assessment**

In our opinion, risks for the future development are associated with the highly competitive surroundings in the area of tender agreements and the rising purchase prices and stagnating and, in part, downward sales price level as a result of permanent legal regulatory measures in particular.

In the light of the stability of the liquidity of our company, we do not see any risks jeopardizing our position.

Leverkusen,  
May 08, 2025

General Management

Hellen de Kloet

## Legal and fiscal situation

### **Name of company, Place of registration**

Sun Pharmaceuticals Germany GmbH, Leverkusen

### **Commercial Register**

District Court of Cologne - HRB 85786

### **Object of the company**

Manufacturing and selling of pharmaceutical products

### **Partnership Agreement**

Version dated August 11, 2008; last modification from April 3, 2020

### **Capital and shareholder**

	€
ALCALOIDA Chemical Company ZRT (Hungary)	<u>25,000.00</u>

### **Management**

Hellen de Kloet, Bennebroek, (Netherlands)

The director was granted the power of sole representation and is exempted from the provisions of section 181 BGB.

## **Advisory board**

Members of the advisory board:

Hellen de Kloet, Pharmacist, Bennebroek (Netherlands)

Prashant Savla, Merchant, Hoofddorp (Netherlands), correspondence address

Ahmed Banjaddi, Merchant, Leverkusen

## **People with commercial power of attorney**

Ahmed Banjaddi, Leverkusen, individual commercial power of attorney with the authority to enter into legal transactions on behalf of the company in his own name or as a representative of a third party.

## **Financial year**

April 1 to March 31 of the following year

## **Shareholders' Meeting**

An ordinary shareholders' meeting took place on June 19, 2024; the following resolutions were passed:

1. The annual financial statements of Sun Pharmaceuticals Germany GmbH as at March 31, 2024 are adopted.
2. The net profit for the year 2023/2024 amounting to € 849,532.95 is carried forward to new account.
3. Discharge is granted to the company's directors.

An ordinary shareholders' meeting took place on February 26, 2025; the following resolution was passed:

Forvis Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft is elected as the auditor for the annual financial statements for the year ending March 31, 2025.

## **Tax status**

The company is registered with the Leverkusen Tax Office under the tax number 230/5717/3167.

The last tax audit covers the period 2016 to 2018 and was completed in the 2021/2022 financial year.

# General Engagement Terms

for

## Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]

as of January 1, 2024

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüferinnen/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 (Textform) 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 agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties. A German Public Auditor is also entitled to invoke objections (Einwendungen) and defences (Einreden) arising from the contractual relationship with the engaging party to 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 agreement in writing (Textform).

(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 submitted as well as the explanations and statements provided in a statement as drafted by the German Public Auditor in a legally accepted written form (gesetzliche Schriftform) or any other form determined 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 a legally accepted written form (gesetzliche Schriftform) or in writing (Textform) as part of the work in executing the engagement, only that

presentation is authoritative. Drafts of such presentations are non-binding. Except as otherwise provided for by law or contractually agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing (Textform). 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 consent be issued in writing (Textform), 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 subsequent performance (Nacherfüllung) in writing (Textform) without delay. Claims for subsequent performance 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, claims for damages due to negligence arising out of the contractual relationship between the

engaging party and the German Public Auditor, 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], are limited to € 4 million pursuant to § 54 a Abs. 1 Number 2 WPO. This applies equally to claims against the German Public Auditor made by third parties arising from, or in connection with, the contractual relationship.

(3) 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.

(4) The maximum amount under paragraph 2 relates to an individual case of damages. An individual case of damages 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.

(5) A claim for damages expires if a suit is not filed within six months subsequent to the written statement (Textform) of 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.

(6) § 323 HGB remains unaffected by the rules in paragraphs 2 to 5.

#### 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 (Bestätigungsvermerk), 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 consent, issued in a legally accepted written form (gesetzliche Schriftform), 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 material 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 (Textform), ongoing tax advice encompasses the following work during the contract period:

- a) preparation and electronic transmission of annual tax returns, including financial statements for tax purposes in electronic format, for income tax, corporate tax and business tax, 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 (Textform).

(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 and valuation assessments for property units 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 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.