



APONTIS
PHARMA

Annual Report 2020

Group Management Report
of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),
for the Financial Year from 1 January to 31 December 2020

I. General Information on the Group

PP Pharma HoldCo GmbH (hereinafter also referred to as "PP Pharma", "Holding" or "APONTIS Group"), including its only operating company APONTIS PHARMA GmbH & Co. KG (hereinafter also referred to as "APONTIS KG") which is included in the Consolidated Financial Statements, is active in the marketing and sale of innovative medical drugs for indication fields of internal medicine which arise mainly from the cooperation with other pharmaceutical companies. The business activities of APONTIS Group comprised, in the reporting year, mainly the supply of existing products in the field of respiratory diseases, heart failure and hypertension to the German pharmaceutical market.

II. Macroeconomic Trend in Germany ¹

According to initial calculations of the Federal Statistics Office (Destatis), the price-adjusted GDP was by 5.0 % lower in 2020 than in the previous year. That means that the German economy fell into a deep recession after ten years of growth, similar to the situation during the financial and economic crisis of 2008 / 2009. According to preliminary calculations, however, the economic decline, was, in total, less strong in 2020 than it was in 2009 of -5.7 %. In 2020, the Corona pandemic left significant traces in almost all economic sectors. Production was, in part, massively restricted, both in services and in the production industry.

The economic downturn was particularly pronounced in the services sectors, some of which recorded declines like never before. One example is the combined economic sector of trade, traffic and catering industry, whose economic performance was by 6.3 % lower than in 2019. But there were also contrary developments: Online trade rose significantly, while stationary trade was, in part, deeply in the red. The high restrictions in the accommodation and catering industries also resulted in historic declines in these sectors.

One area able to stand its ground during the crisis was construction: the price-adjusted gross value adding even rose here by 1.4 % compared with the previous year.

¹ Press Release no. 020 of 14 January 2021"
https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html

The Corona pandemic also left significant traces on the demand side. Contrary to the situation during the financial and economic crisis, when the entire consumption supported the economy, private consumer spending went down year-on-year and on a price-adjusted basis by 6.0 % in 2020 and thus declined as never before. Consumer spending by the government went up by 3.4 %, on a price-adjusted basis, and had a supporting effect even during the Corona crisis, with contributions coming, inter alia, from the procurement of protective equipment and hospital services.

Gross investments in assets were exposed to the most significant decline of -3.5 %, on a price-adjusted basis, since the financial and economic crisis of 2008 / 2009. Contrary to this trend, investments in constructions increased by 1.5 %. In 2020, investments in equipment – i.e. mainly investments in machines and devices and vehicles – fell, on a price-adjusted basis, by 12.5 % compared to the year before. According to initial estimates, investments in other plants – this includes mainly investments in research and development – went down by 1.1 %, on a price-adjusted basis.

The Corona pandemic also had a massive effect on external trade: exports and imports of goods and services experienced the first decline since 2009, exports went down by 9.9 %, price-adjusted, and imports decreased by 8.6 % in 2020. Specifically high was the decline of service imports which was mainly due to the high share of strongly declining tourist travel.

III. Industry Development

Expenditure trend²

Revenue with medical drugs rose by 6.2 % during the first nine months of 2020 on the entire pharmaceutical market (pharmacies and clinics). Sales stagnated at a “red zero”. A total of about 73 billion counting units (capsules, strokes, portion bags, etc.) worth more than EUR 36 billion were provided to patients.

Pharmacy Market³

The pharmacy market reported a revenue growth of 6 % during the first nine months of 2020. A little below 1.2 billion packages (-3 %) worth EUR 30 billion were provided to patients (for a sales price of the pharmaceutical entrepreneur, incl. vaccines and test diagnostics).

² IQVIA Market Report: “Development of the German Pharmaceutical Market in the Year 2020“, p. 3

Statutory Health Insurance (GKV) ³

Expenditures for medical drugs made by the statutory health insurance rose, less reductions of manufacturers (Sec. 130a (1) of the *SGB V* [German Social Security Code Volume V]) and pharmacies (not including savings under discount agreements) amounted to EUR 32.3 billion in the first nine months of 2020. This value is by 4.6 % above the previous year's level. Extra expenses compared with the same period in the year before stood at EUR 1.49 billion.

The group of interleukin inhibitors rose strongest according to revenue (+25 %) among the ten drug groups with the highest revenue in the GKV market within the first three quarters of 2020. Other groups reporting rises in the two-digit range were different cancer therapies (anti-neoplastically effective protein kinase inhibitors +24 %; MAB anti-neoplastics +21 %), other anti-neoplastics +24 % and direct factor-Xa inhibitors (+12 %) which are used as targeted therapies, e.g. for treating cancer or severe rheumatic disease. Three out of the ten product groups in the GKV market with the highest sales figures reported a sales decline in the upper one-digit range during the first nine months of 2020.

Savings made by the statutory health insurance caused by obligatory manufacturer rebates amount to EUR 4.171 billion (+17 %) during the first nine months of 2020.

Private health insurances also realised cost savings on the basis of such statutory manufacturer rebates. The calculated volume amounts to EUR 648 million in the first nine months of 2020 (+14 %).

A deduction of EUR 1.77 applies to each prescribed package of medical drugs provided to persons insured in the GKV by pharmacies. The resulting savings made by the statutory health insurances stagnated during the first nine months of 2020 at -1 %, i.e. slightly below the previous year's level (EUR 843 m).

Other markets ⁴

According to a forecast of IQVIA, the Institute for Human Data Science, the world's pharmaceutical market will grow between 3 % and 6 % until 2023 and achieve a revenue of USD 1.5 trillion by the year 2023. The United States and emerging countries – so-called pharmerging markets – were identified as the most important growth drivers for the next five years with growth rates of 4 % to 7 % and 5 % to 8 %, respectively.

³ IQVIA Market Report: "Development of the German Pharmaceutical Market in the three Quarters of the Year 2020", p. 7

<https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-pharma-marktbericht-classic-dreivierteljahr-2020.pdf>

⁴ https://www.iqvia.com/-/media/iqvia/pdfs/cese/germany/news/2019/iqvia-arzneimittelausgaben-weltweit-prognose-bis-2023.pdf?la=de-de&hash=E34919C8FBE34A3B09A27059BC344713&_=1612793289735

IV. Business Development in 2020

In the 2020 financial year, APONTIS PHARMA GmbH & Co. KG was able to achieve revenue of EUR 39,240 thousand (prev. year EUR 40,035 k) which was generated, in full, with customers in Germany. The Company was thus able to almost achieve the revenue it had expected of EUR 40,000 thousand. The agreement on the co-marketing of a hypertension preparation which had expired in the year before could, thus be compensated to a large part.

Other operating income stood at EUR 2,639 thousand (prev. year EUR 1,304 k) and comprised in the 2020 financial year mainly income from remunerations in kind for the provision of company cars of EUR 640 thousand (prev. year EUR 638 k) and income from the reversal of provisions not related to the current period of EUR 1,558 thousand (prev. year EUR 308 k).

In the 2020 financial year, cost of materials stood at EUR 14,215 thousand (prev. year EUR 11,064 k). The Group's material usage ratio is 36.2 % (prev. year 27.6 %). Reason for this increase by approx. 8.6 % in the material usage ratio is the product mix which was changed compared to the previous year, in particular due to the end of the co-marketing of a hypertension preparation which was not driven by cost of materials.

The Company had personnel expenses of EUR 16,512 thousand in the financial year (prev. year EUR 18,601 k), EUR 2,827 thousand (prev. year EUR 2,698 k) of which relate to social expenses. The reduction was caused by the short-time work which needed to be continued in 2020 due to the Corona pandemic and the decline in revenue.

Other operating expenses amounted to EUR 10,112 thousand in the past financial year (prev. year EUR 13,348 k) and consisted mainly of expenses for temporary workers of EUR 1,071 thousand (prev. year EUR 2,087 k), expenses for marketing of EUR 1,559 thousand (prev. year EUR 1,824 k), car costs of EUR 2,091 thousand (prev. year EUR 2,014 k) and expenses for other sales costs of EUR 1,981 thousand (prev. year EUR 2,823 k).

The negative financial result in the 2020 financial year of EUR 863 thousand (prev. year EUR 828 k) was in the range expected by the Company. It comprises interest expenses for shareholder loans of EUR 805 thousand (prev. year EUR 759 k) and interest expenses from the compounding of pension provisions and provisions for comparable long-term obligations of EUR 63 thousand (prev. year EUR 69 k).

Income tax amounts to EUR 15 thousand (prev. year EUR -118 k). The Group had expected earnings before interest and taxes (EBIT) of EUR -800 thousand for 2020. That expectation was exceeded significantly and the Company reported a negative EBIT of EUR 656 thousand (prev. year negative EBIT of EUR 2,286 k). The change results mainly from the reduction of operating expenses in the field of personnel expenses and marketing costs.

The Group closed the 2020 financial year with a consolidated loss for the year of EUR 1,183 thousand (prev. year consolidated loss of EUR 2,393 k).

Asset situation

Assets

A large part of the APONTIS Group's fixed assets of EUR 15,457 thousand (prev. year EUR 16,333 k) consists of licencing rights for products of EUR 5,414 thousand (prev. year EUR 6,916 k), of milestone payments for future product rights which were made to MIDAS Pharma GmbH and Zentiva Pharma GmbH in the amount of EUR 3,040 thousand (prev. year EUR 2,436 k) and silent reserves which were discovered in the Group during the purchase price allocation at the initial consolidation of APONTIS KG on 28 September 2018 and amount to EUR 9,451 thousand (prev. year EUR 10,269 k), EUR 3,145 thousand of which (prev. year EUR 3,967) are already included in the licencing rights for products of EUR 5,414 thousand (prev. year EUR 6,916 k).

Goods inventories stood at EUR 2,923 thousand as of 31 December 2020 (prev. year EUR 4,185 k). Current accounts receivable prevailing on the balance sheet date of EUR 1.644 thousand (prev. year EUR 1,878 k) relate mainly to trade accounts receivable from third parties.

Cash and cash equivalents amount to EUR 8,059 thousand on the reporting date (prev. year EUR 7,387 k).

Liabilities

The Group has an equity of EUR 3,458 thousand on 31 December 2020 (prev. year EUR 4,641 k).

Its equity ratio is 11.6 % on the reporting date (prev. year 15.2 %). This change in the equity ratio was caused both by the lower balance sheet total and the consolidated loss for the year.

The balance of provisions on the reporting date is EUR 7,104 thousand (prev. year EUR 8,151 k) and consists mainly of provisions for pensions of EUR 2,265 thousand (prev. year EUR 2,126 k), personnel provisions of EUR 2,605 thousand (prev. year EUR 2,369 k), provisions for discounts granted of EUR 1,275 thousand (prev. year EUR 1,896 k), and provisions for outstanding incoming invoices of EUR 805 thousand (prev. year EUR 1,227 k). Personnel provisions include mainly provisions for field service bonuses amounting to EUR 802 thousand (prev. year EUR 721 k), personnel provisions include mainly provisions for internal service bonuses amounting to EUR 690 thousand (prev. year EUR 583 k), provisions for long-term incentives of EUR 546 thousand (prev. year EUR 468 k) and provisions for anniversary payments of EUR 265 thousand (prev. year EUR 281 k).

At the end of the financial year, accounts payable total EUR 18,361 thousand (prev. year EUR 16,961 k). These consist, in particular, of liabilities due to shareholders of EUR 14,011 thousand (prev. year EUR 13,205 k) and trade accounts payable of EUR 3,259 thousand (prev. year EUR 3,132 k). Other liabilities include, in particular, liabilities from taxes of EUR 1,050 thousand (prev. year EUR 497 k).

Financial situation

The cash-flow from ongoing business activities was positive in 2020 and stood at EUR 1,451 thousand (prev. year negative EUR 238 k).

The cash flow from investment activities is negative also in the 2020 financial year and amounts to EUR 777 thousand (prev. year EUR -1,388 k). This change results mainly from payments made to intangible fixed assets (prev. year payments to intangible fixed assets).

The Group's cash flow from financing activities is slightly negative like in the year before and amounts to EUR 2 thousand (prev. year negative EUR 2 k).

Cash and cash equivalents total EUR 8,059 thousand in the year under review (prev. year EUR 7,387 k). Cash and cash equivalents comprise exclusive bank balances and cash on hand.

APONTIS Group had no guarantee credit line in the 2020 financial year.

V. Financial Performance Indicators

The company is controlled by the financial performance indicators of sales revenue, gross profit, gross profit margin, EBITDA, EBITDA margin as well as EBIT and EBIT margin.

In the 2020 financial year, the performance indicators were exposed to the following changes compared with the year before:

EUR'000	2020	2019	Δ EUR'000	Δ %
Revenue	39,240	40,035	-795	-2.0 %
Gross profit	25,025	28,971	-3,946	-13.6 %
Gross profit margin	63.8 %	72.4 %	--	-8.6 %
EBITDA	998	-1,716	2,714	158.2 %
EBITDA margin	2.5 %	-4.3 %	--	6.8 %
EBIT	-656	-2,286	1,630	71.3 %
EBIT margin	-1.7 %	-5.7 %	--	4.0 %

In comparison with the planned figures (budget), the key performance indicators took the following development in the 2020 financial year:

EUR'000	2020	2020 Budget	Δ EUR'000	Δ %
Revenue	39,240	40,000	-760	-1.9 %
Gross profit	25,025	28,701	-3,676	-12.8 %

Gross profit margin	63.8 %	71.8 %	--	-8.0 %
EBITDA	998	703	295	42.0 %
EBITDA margin	2.5 %	1.8	--	0.7 %
EBIT	-656	-800	144	18.0 %
EBIT margin	-1.7 %	-2.0 %	--	0.3 %

APONTIS Group's controlling provides the management with a comprehensive view of the current economic situation and the future development on the basis of regular reportings and forecast calculations as well as analyses going beyond those.

VI. Research and development

APONTIS Group and its essential included company, APONTIS KG, focus on the licensing in and marketing of pharmaceutical products and services. The Group has no corporate research and development department.

VII. Essential Risks and Opportunities of the Future Development

Risk management system

For APONTIS Group, risk management is an essential and indispensable part of the management and control of the Group. APONTIS Group supervises the business development – inter alia by a centralised and permanent controlling.

In addition to having a planning and forecast system, the Group prepares internal reports on a regular basis which inform the management and responsible management levels about all significant risks at an early time and in a comprehensive manner.

The most important risks are grouped and analysed below, under the assumption of regular competitive conditions and separately from the effects of the declared COVID-19 pandemic:

The current Corona pandemic continues constituting a macro-economic risk compared with the previous year. Thanks to our product portfolio which is independent of seasonal changes, we still see opportunities for an increase of our revenue level, despite the general pandemic risks. That has been taken into account in our current forecasts for the 2021 financial year.

Risk of competition

APONTIS Group is in competition with other pharmaceutical companies and groups of companies. Risks for the Group's market position are regularly analysed on the basis of market observation and the observation of competitors and counter-measures are taken – whenever possible.

Risks of future market approval and successful market launches

Key risks for the future business development of APONTIS Group are, like for any other pharmaceutical company, the uncertainties associated with the future and successful launch of products. The Company has project assessment systems and an adequate project management organisation to ensure an ongoing monitoring of these risks.

Risks arising from the change of the legal conditions

The effects arising from the trend of increasing government interventions in national health systems (e.g. by the introduction or modification of different forms of price regulations) might result in a significant additional margin pressure for important revenue drivers and have a negative impact on the Group's result of operation. APONTIS Group counteracts these risks by continuous measures aiming at cost efficiency and the constant objective of developing new revenue potentials.

Procurement risks

Medical drugs are subject to customary risks on the procurement side, such as recalls in case of a non-conforming quality or due to a restricted delivery ability by the manufacturer. Manufacturers and suppliers of medical drugs are thus verified and assessed initially and subsequently on a regular basis and risk mitigation measures are established wherever necessary.

Furthermore, the suppliers of medical drugs are audited by the government authorities for compliance with the GMP standards (GMP = Good Manufacturing Practices). APONTIS Group and its operating company APONTIS KG which is included in the Consolidated Financial Statements are also subject to regular inspections by the competent supervisory authority.

APONTIS Group supports the compliance with these standards by applying relevant measures for quality assurance, both toward the toll manufacturers and suppliers and in its internal corporate processes.

Financial risks

We currently see no relevant risks for APONTIS Group in view of the good equity ratio and the good liquidity position. APONTIS Group is not exposed to any interest and currency risks since it performs its business mainly in Germany.

Legal risks

APONTIS Group is currently not involved in any court proceedings in the course of its normal business activity.

Protection against damage risk

The risk to be exposed to any property and liability damage is covered to a sufficient extent by insurances, insofar as that is possible and economically sensible.

Essential opportunities

Essential opportunities will arise in the upcoming years from the activities of APONTIS Group in the field of co-marketing and the individual licensing of active agents or pharmaceutical products.

VIII. Outlook for the 2021 Financial Year

Macroeconomic outlook ⁵

According to the opinion of the OECD, the spread of COVID-19 which was classified as a pandemic by the WHO on 11 March 2020, still takes a toll on economy and society. The situation might remain as such for a while, since the worldwide distribution of a vaccine is associated with significant challenges in terms of development and logistics. Lockdown measures will probably still be imposed in some regions or, if needed, in entire nations in order to contain the virus. That will burden the growth. Some companies that are active in the affected sectors might not be able to stand their ground for long without additional help. This increases the risk of further dismissals and insolvencies which will have an effect on the demand of the entire economy. Assuming that new spreads of Corona will remain restricted and that the confidence is supported by the outlook for a vaccine that is still available at the end of 2021, expectations are that the global economy will recover gradually in the upcoming two years, even though not to an equal degree.

After a strong decline in this year, the global GDP will rise by 4.25 % in 2021 and in 2022 by another 3.75 %. At the end of 2021, the global GDP should be on the pre-crisis level again, mainly thanks to the strong recovery in China. In many countries, the economic performance will still be by approx. 5 % below the expectations made before the crisis in 2022. That raises the risks of significant, permanent losses caused by the pandemic. Countries and regions having effective systems for tests, contact follow-ups and isolation might report comparatively good results. But even they will still suffer from the weak demand on a global level. Against this backdrop, one can only expect a gradual decline of unemployment. Investment incentives for companies would also remain weak in the short term. Continuing overcapacity would, in addition, dampen the increase in wages and prices.

A more favourable development would be conceivable in case of a fast progress in the development and distribution of effective vaccines, which would decrease the uncertainty and necessity of making retirement savings. That would open up the path for a stronger recovery – mainly in the year 2022 – and a permanent revitalisation of investments and consumer spending.

⁵ OECD (2020), OECD Economic Outlook, Edition 2020/2 (short version), no. 108, OECD Publishing, Paris, OECD Economic Outlook, Edition 2020/2 (short version) | READ online (keepeek.com)

If the recovery comes to a halt, governments would need to intervene with more measures. Effective measures of health policy which are equipped with sufficient funds and measures supporting the economy, as well as flexible monetary, fiscal and structure policies are indispensable both to contain the direct consequences of the pandemic and to keep its potentially long-term effects on the standard of living as low as possible.

Economic outlook for APONTIS Group

The situation of the pandemic will probably not have a negative effect on the business activities of APONTIS Group in 2021. The planned growth of existing products in the field of hypertension will result in a consistent revenue result as the one experienced in the 2020 financial year.

Furthermore, the foundations should be laid for an expansion of the product portfolio in the upcoming financial years which will lead to new product launches from 2021.

We expect to achieve revenue on a level of between EUR 48,000 thousand and EUR 49,000 thousand in the year 2021. That will be driven mainly by the sale of established products. These vary depending on the progress of market development and the economic situation explained above. Accordingly, we expect a gross profit of approx. EUR 31,750 thousand (gross profit margin of approx. 65.5 %), an EBITDA of approx. EUR 5,700 thousand (EBITDA margin of approx. 11.8 %) and an EBIT of approx. EUR 4,100 thousand (EBIT margin of approx. 8,5 %).

Monheim am Rhein, 26 February 2021

PP Pharma HoldCo GmbH
Management

Dr. Edin Hadzic

Christian Bettinger

Consolidated Balance Sheet



of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),

for the Financial Year from 1 January to 31 December 2020

Assets

	Balance on 31/12/2020 EUR	Balance on 31/12/2019 EUR
A. Fixed assets		
I. Intangible assets		
1. Concessions acquired against consideration, industrial property rights and similar rights and values as well as licenses to such rights and values	5,413,842.00	6,915,869.00
2. Down-payments made and intangible assets in development	9,341,640.84	8,738,014.84
	<u>14,755,482.84</u>	<u>15,653,883.84</u>
II. Property, plant and equipment		
Other plants, operating and business equipment	41,124.00	67,501.00
III. Financial assets		
1. Loan to a shareholder	22,228.02	20,966.58
2. Securities held as fixed assets	638,660.43	590,657.04
	<u>660,888.45</u>	<u>611,623.62</u>
	<u>15,457,495.29</u>	<u>16,333,008.46</u>
B. Current assets		
I. Inventories		
Goods	2,922,510.81	4,184,578.35
II. Accounts receivable and other assets		
1. Trade accounts receivable	1,228,422.54	1,095,991.03
2. Other assets	668,303.44	781,574.11
	<u>1,896,725.98</u>	<u>1,877,565.14</u>
III. Cash on hand, cash at banks	8,058,801.14	7,386,598.95
	<u>12,878,037.93</u>	<u>13,448,742.44</u>
C. Accrued income	608,065.32	407,835.46
D. Deferred tax assets	747,000.00	396,000.00
	<u>29,690,598.54</u>	<u>30,585,586.36</u>

Liabilities

	Balance on 31/12/2020 EUR	Balance on 31/12/2019 EUR
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserve	6,753,000.00	6,753,000.00
III. Consolidated balance sheet loss		
1. Consolidated loss carry-forward (prev. y. – profit carry-forward)	-2,136,843.71	256,546.40
2. Consolidated loss for the year	-1,182,915.45	-2,393,390.11
	-3,319,759.16	-2,136,843.71
	3,458,240.84	4,641,156.29
B. Difference from capital consolidation	766,689.00	833,045.00
C. Provisions		
1. Provisions for pensions and similar obligations	2,264,679.00	2,126,323.00
2. Tax provisions	0.00	51,485.00
3. Other provisions	4,839,656.81	5,972,719.07
	7,104,335.81	8,150,527.07
D. Liabilities		
1. Trade accounts payable	3,259,295.67	3,131,901.94
2. Accounts payable to shareholders	14,010,723.57	13,205,206.00
3. Other liabilities	1,091,313.65	623,750.06
- of which from taxes: EUR 1,050,200.46 (prev. y. EUR 496,519.08)		
- of which from social security: EUR 1,133.88 (prev. y. EUR 71.97)		
	18,361,332.89	16,960,858.00
	29,690,598.54	30,585,586.36

Consolidated Income Statement



of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),

for the Financial Year from 1 January to 31 December 2020

	2020 EUR	2019 EUR
1. Sales revenue	39,240,398.07	40,035,307.01
2. Other operating income	2,638,762.24	1,303,978.06
3. Cost of materials		
Expenses for purchased goods	14,215,287.57	11,063,747.29
4. Personnel expenses		
a) Wages and salaries	13,685,475.28	15,902,594.48
b) Social security expenses and expenses for old-age provision and assistance	2,826,691.75	2,698,531.01
	<u>16,512,167.03</u>	<u>18,601,125.49</u>
5. Amortisation of intangible fixed assets and depreciation of property, plant and equipment	1,654,342.90	569,658.31
6. Other operating expenses	10,111,802.26	13,347,914.27
7. Income from the loan to a shareholder	1,261.44	966.58
8. Other interest and similar income	4,713.42	1,262.67
9. Interest and similar expenses	869,184.43	830,460.74
10. Income tax		
a) Income tax	14,605.40	-118,306.27
b) Deferred taxes	-351,000.00	-602,000.00
	<u>-336,394.60</u>	<u>-720,306.27</u>
11. Earnings after taxes	<u>-1,141,254.42</u>	<u>-2,351,085.51</u>
12. Other taxes	41,661.03	42,304.60
13. Consolidated loss for the year	<u>-1,182,915.45</u>	<u>-2,393,390.11</u>
14. Consolidated loss carry-forward (prev. year profit carry-forward)	-2,136,843.71	256,546.40
15. Consolidated balance sheet loss	<u><u>-3,319,759.16</u></u>	<u><u>-2,136,843.71</u></u>

Consolidated Cash Flow Statement

of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),

for the Financial Year from 1 January to 31 December 2020

	2020 EUR	2019 EUR
1. Result of the period	-1,182,915.45	-2,393,390.11
2. +/- Amortisation / appreciation of fixed assets	1,654,342.90	569,658.31
3. +/- Increase / decrease in provisions	-1,057,244.26	384,000.96
4. +/- Other non-cash expenses / income	-417,356.00	-611,948.32
5. -/+ Increase / decrease in inventories, trade accounts receivable and other assets not allocable to investment and financing activities	1,161,119.05	3,579,586.57
6. +/- Increase / decrease in trade accounts payable and other liabilities not allocable to investment and financing activities	594,957.32	-2,475,903.18
7. +/- Interest expenses / interest income	863,209.57	828,231.49
8. +/- Income tax expense / income	14,605.40	-118,306.27
9. - Income tax payments	-179,706.61	0.00
10. Cash flow from operating activities	1,451,011.92	-238,070.55
11. - Payments made for investments in intangible fixed assets	-728,626.00	-1,042,256.00
12. - Payments made for investments in prop., plant and equipment	-938.90	-8,167.06
13. - Payments made for investments in financial assets	-48,003.39	-69,109.56
14. - Payments made for additions to consolidated companies	0.00	-269,684.51
15. + Interest received	400.42	1,262.67
16. Cash flow from investment activities	-777,167.87	-1,387,954.46
17. - Interest paid	-1,641.86	-2,079.74
18. Cash flow from financing activities	-1,641.86	-2,079.74
19. Cash-effective changes in cash and cash equivalents	672,202.19	-1,628,104.75
20. + Cash and cash equivalents at the beginning of the period	7,386,598.95	9,014,703.70
21. Cash and cash equivalents at the end of the period	8,058,801.14	7,386,598.95
Composition of cash and cash equivalents		
Liquid funds	8,058,801.14	7,386,598.95

Statement of Changes in Consolidated Fixed Assets
of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),
for the Financial Year from 1 January to 31 December 2020

	Cost of acquisition or production			Accumulated amortisation / depreciation			Carrying amounts			
	Balance on 01/01/2020	Additions	Disposals	Balance on 31/12/2020	Balance on 01/01/2020	Additions	Disposals	Balance on 31/12/2020	Balance on 31/12/2020	Balance on 31/12/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
1. Concessions acquired against consideration, industrial property rights and similar rights and values as well as licenses to such rights and values	22,806,177.95	0.00	0.00	22,806,177.95	15,890,308.95	1,502,027.00	0.00	17,392,335.95	5,413,842.00	6,915,869.00
2. Down-payments made and intangible assets in development	8,738,014.84	728,626.00	0.00	9,466,640.84	0.00	125,000.00	0.00	125,000.00	9,341,640.84	8,738,014.84
	<u>31,544,192.79</u>	<u>728,626.00</u>	<u>0.00</u>	<u>32,272,818.79</u>	<u>15,890,308.95</u>	<u>1,627,027.00</u>	<u>0.00</u>	<u>17,517,335.95</u>	<u>14,755,482.84</u>	<u>15,653,883.84</u>
II. Property, plant and equipment										
Other plants, operating and business equipment	593,509.75	938.90	0.00	594,448.65	526,008.75	27,315.90	0.00	553,324.65	41,124.00	67,501.00
	<u>593,509.75</u>	<u>938.90</u>	<u>0.00</u>	<u>594,448.65</u>	<u>526,008.75</u>	<u>27,315.90</u>	<u>0.00</u>	<u>553,324.65</u>	<u>41,124.00</u>	<u>67,501.00</u>
III. Financial assets										
1. Loan to a shareholder	20,966.58	1,261.44	0.00	22,228.02	0.00	0.00	0.00	0.00	22,228.02	20,966.58
2. Securities held as fixed assets	590,657.04	48,003.39	0.00	638,660.43	0.00	0.00	0.00	0.00	638,660.43	590,657.04
	<u>611,623.62</u>	<u>49,264.83</u>	<u>0.00</u>	<u>660,888.45</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>660,888.45</u>	<u>611,623.62</u>
	<u>32,749,326.16</u>	<u>778,829.73</u>	<u>0.00</u>	<u>33,528,155.89</u>	<u>16,416,317.70</u>	<u>1,654,342.90</u>	<u>0.00</u>	<u>18,070,660.60</u>	<u>15,457,495.29</u>	<u>16,333,008.46</u>

Consolidated Statement of Changes in Equity
of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),
for the Financial Year from 1 January to 31 December 2020

	Equity of the parent company								Group equity			
	Subscribed capital			Reserves					Consolidated profit / loss carry-forward	Group profit / loss for the year allocable to the parent company	Total	Total
	Share capital	Uncalled outstanding contributions	Total	Capital reserve	Retained earnings			Total				
				pursuant to Sec. 272 (2) no. 4 of the HGB	Reserves pursuant to the Articles of Association	Other retained earnings	Total					
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Balance on 31 December 2018	25.000,00	0,00	25.000,00	6.753.000,00	0,00	0,00	0,00	6.753.000,00	0,00	256.546,40	256.546,40	7.034.546,40
Acc. transf. profit carry-forward	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	256.546,40	-256.546,40	0,00	0,00
Consolidated loss for the year	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-2.393.390,11	-2.393.390,11	-2.393.390,11
Balance on 31 December 2019	25.000,00	0,00	25.000,00	6.753.000,00	0,00	0,00	0,00	6.753.000,00	256.546,40	-2.393.390,11	-2.136.843,71	4.641.156,29
Acc. transfer loss carry-forward	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-2.393.390,11	2.393.390,11	0,00	0,00
Consolidated loss for the year	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-1.182.915,45	-1.182.915,45	-1.182.915,45
Balance on 31 December 2020	25.000,00	0,00	25.000,00	6.753.000,00	0,00	0,00	0,00	6.753.000,00	-2.136.843,71	-1.182.915,45	-3.319.759,16	3.458.240,84

Group Notes
of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich),
for the Financial Year from 1 January to 31 December 2020

The company PP Pharma HoldCo GmbH (*Amtsgericht* [Local Court of] Düsseldorf, HRB 92340) prepares Consolidated Financial Statements on a voluntary basis. The Consolidated Financial Statements for the financial year from 1 January to 31 December 2020 were prepared according to the provisions of the *Handelsgesetzbuch* [German Commercial Code] (HGB) and the applicable provisions of the *Gesetz betreffend die Gesellschaften mit beschränkter Haftung* [German Limited Liability Companies Act] (GmbHG).

The *Gesamtkostenverfahren* [nature of expense method] was used for preparing the Consolidated Income Statement.

We included in these Group Notes any statements regarding the individual items of the Consolidated Balance Sheet and the Consolidated Income Statement to be made pursuant to the legal provisions, as well as any statements which can either be set out in the Consolidated Balance Sheet or in the Consolidated Income Statement and the Group Notes, to improve the clarity of the presentation. Any information on a co-classification to other items of the Consolidated Balance Sheet is also given herein, for the same reason.

All figures included in these Group Notes are quoted in thousand euros.

Insofar as the disclosures in the break-downs of individual items were changes in the reporting year, the previous year's disclosure was adapted as well, to improve the comparability.

I. Consolidated Companies

3 affiliated companies were included in the Consolidated Financial Statements as fully consolidated companies in addition to PP Pharma HoldCo GmbH.

Consolidated companies as of 31 December 2020 were:

1. PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich), HRB 92340 at the Local Court of Düsseldorf;
2. PP Apontis Pharma GmbH, Monheim am Rhein, registered under HRB 85556 at the Local Court of Düsseldorf;
3. PP Primary Care GmbH, Monheim am Rhein, registered under HRB 73436 at the Local Court of Düsseldorf;
4. APONTIS PHARMA GmbH & Co. KG, Monheim am Rhein, registered under HRA 23282 at the Local Court of Düsseldorf.

100,00 % of the shares in the affiliated company set out under 2. are held by the parent company under 1.; 100.00% of the shares in the affiliated company under 3. are held by the affiliated company under 2.; and 99.01 % of the shares in the affiliated company under 4. are held by the affiliated company under 2. and 0.99 % of which are held by the affiliated company under 3.

II. Reporting Date of the Consolidated Financial Statements

The reporting date of the Consolidated Financial Statements is 31 December 2020 pursuant to Sec. 299 (1) of the HGB.

III. Consolidation Principles

The Consolidated Financial Statements are based on the financial statements of the included companies.

Otherwise, the Group observed the principle of continuity of the consolidation methods in the preparation hereof.

1. Capital Consolidation

Capital consolidation for acquisition transactions is made according to the revaluation method pursuant to Sec. 301 (1) sentence 2 of the HGB. For acquisition transactions, the value recognised for shares owned by the parent company is set off with the amount of the subsidiaries' equity allocated to these shares. Under the revaluation method, the equity shall be recognised at the amount corresponding to the fair value of the assets, debts, accruals and special items to be included in the Consolidated Financial Statements on the date of their initial consolidation. Provisions shall be measured according to the provisions of Sec. 253 (1) sentences 2 and 3, (2) of the HGB and deferred taxes pursuant to Sec. 274 (2) of the HGB. The set-off will be made pursuant to Sec. 301 (2) of the HGB at the time when the company became a subsidiary.

Profits / losses for the year of the included companies will be combined with the effects of consolidation measures affecting net income – unless such are set off in the context of capital consolidation – and disclosed in the "Consolidated profit / loss for the year" item.

The negative difference arising from the first-time capital consolidation as of 28 September 2018 of EUR 843 thousand will be collected in a scheduled manner over the weighted average residual useful life of the acquired assets that are subject to wear. In the 2020 financial year, this results in an income of EUR 66 thousand (prev. y. EUR 10 k), which was disclosed in the 2020 Consolidated Income Statement under the "Other operating income" item. The negative difference thus amounts to EUR 767 thousand on 31 December 2020 (prev. year EUR 833 k).

The subsequent consolidation – and thus the consolidation as of 31 December 2020 – recognises the group share of the earnings generated by the Group companies after the date of their initial consolidation under Consolidated earnings.

2. Debt Consolidation

Mutual accounts receivable and payable between the group companies were set off in the context of debt consolidation. No accounts receivable and payable liable for elimination existed between the group companies on the balance sheet date of 31 December 2020.

3. Elimination of Interim Results

The Group eliminates interim results arising from service relationships within the Group. No interim results liable for elimination arose in the period under review from 1 January to 31 December 2020.

4. Expense and Income Consolidation

In the Consolidated Income Statements, internal revenue is set off with the expenses of the receiving companies relating to them. The Group sets off intra-group expenses with intra-group income. Any intra-group income from investments was eliminated through profit and loss. No income or expenses or income from investments arose in the financial year from 1 January to 31 December 2020 between the group companies which would have needed to be eliminated.

5. Deferred Taxes from Consolidation Measures

The Group accrued deferred taxes from consolidation measures pursuant to Sec. 306 of the HGB insofar as the deviating tax expense will be equalised in subsequent financial years. Deferred taxes were determined on the basis of future tax burdens or reliefs of the affected companies. Deferred tax assets and deferred tax liabilities were disclosed netted. An excess of deferred assets occurred in the 2020 financial year, like in the year before.

IV. Accounting and Valuation Methods

The Group discloses the items pursuant to Sec. 266 (2) of the HGB, Sec. 264c of the HGB or Sec. 275 (2) of the HGB (nature of expenses format).

The financial statements of the companies included in the Consolidated Financial Statements were prepared according to uniform accounting and valuation methods.

The Group measures assets and liabilities of fully consolidated companies pursuant to the valuation provisions set forth in the German Commercial Code by observing the principles of proper bookkeeping and accounting.

Intangible assets acquired against consideration are disclosed at cost of acquisition and are subject to scheduled amortisation (based on the straight-line method) according to their useful life as customary in the operation, if they are subject to wear. Both ancillary costs of acquisition and reductions of the cost of acquisition are taken into account in determining the cost of acquisition. In addition, unscheduled amortisation is made to their lower fair value – if such is necessary.

Down-payments made are recognised at their nominal value and intangible assets in development are recognised at cost of acquisition.

Property, plant and equipment is disclosed at cost of acquisition and is subject to scheduled depreciation over its useful life as customary in the operation. In addition, unscheduled depreciation is made to the lower fair value – insofar as that is necessary.

Assets held under movable fixed assets are subject to straight-line amortisation / depreciation.

Low-value fixed assets up to an individual net value of EUR 250.00 were recorded as an expense in the year of acquisition; it was assumed that they will be disposed of immediately. For any fixed assets with an individual net value of more than EUR 250.00 and less than EUR 1,000.00, the Group decided to take over the compound item to be created annually for tax reasons to the commercial balance sheet to simplify the presentation. 20 % p.a. of the annual compound items whose amounts are insignificant as a whole, are subject to a flat-rate depreciation pursuant to the tax provisions in the year of their creation and the four subsequent years. Depreciation of additions to property, plant and equipment is otherwise made on a pro-rata basis.

The loan to the shareholder is recognised at its nominal value.

Securities held as fixed assets are recognised at cost of acquisition. In the past financial year, the asset values were netted with pension obligations pursuant to Sec. 246 (2) sentence 2 of the HGB. That applies to the exclusion of the insurance contract since it does not meet the requirements of Sec. 246 (2) sentence 2 of the HGB since it is not pledged to the beneficiaries or their potential survivors and is not unavailable to the access of all other creditors.

Inventories are recognised at cost of acquisition or the lower fair value.

Accounts receivable and other assets are accounted for at the nominal value. All items fraught with risk are taken into account by flat-rate deductions.

Cash and cash equivalents are valued at their nominal value.

Payments made prior to the balance sheet date are recognised under accrued income, insofar as such constitute expenses for a certain period after that time.

The subscribed capital of the parent company, PP Pharma HoldCo GmbH, is fully paid in and accounted for at the nominal value.

Provisions for pensions are recognised according to the actuarial methods and based on an interest rate of 2.31 % p. a. (prev. year 2.72 %) where the financing starts at the age of 25 years and the projected unit credit (PUC) method is applied. The interest rate corresponds to the average market interest rate of the past ten years as announced by *Deutsche Bundesbank* [German Federal Bank] with a residual term of the pension obligations of 15 years. The Group used expected salary and pension trends of 3.00 % and 1.75 % as basis for calculation. The corresponding assets were set off with the obligations, insofar as allowed in the HGB. Insofar as expenses and income arise in this connection, such are netted. Pension provisions were valued according to the *Heubeck-Richttafeln 2018 G* [German Mortality Tables] as of 31 December 2020.

The following table contains the probability of fluctuation for active employees, it applies to pensions and similar obligations.

Probability of fluctuation	Men	Women
Age 20-25 years	6.00%	8.00%
Age 26-30 years	5.00%	7.00%
Age 31-35 years	4.00%	5.00%
Age 36-45 years	2.50%	2.50%
Age 46-50 years	1.00%	1.00%
More than 50 years	0.00%	0.00%

The pension plans set out below were taken over from UCB Pharma GmbH in the course of the acquisition of the business operation of the affiliated company APONTIS PHARMA GmbH & Co. KG on 28 September 2018, including all contractually specified assets and liabilities.

Germany introduced a new pension plan on 1 July 2000 in which all employees are entitled to participate, insofar as they have an unlimited and unterminated employment relationship and completed a service period of six months. The new plan grants benefits of corporate old-age provisions through a *Gruppenunterstützungskasse* [group provident fund] which is an independent company. This fund is obliged to conclude individual reinsurance policies for each entitled employee to ensure the future pension payments.

That means that an indirect obligation for pensions and awards applies since 1 July 2000. Claims under the previous provisions were fixed on a pro-rata basis as of 30 June 2000.

On 1 January 2002, Germany introduced the “Deferred Compensation” corporate old-age provision programme. All employees in an unlimited and unterminated employment relationship whose remuneration is, after performance of the deferred compensation, above the income threshold for the statutory pension insurance in one calendar year, are entitled to participate. One part of the fixed gross remuneration or the variable remuneration of the employees taking part in this programme is not paid out directly, but invested as corporate old-age provision. The capital contributions paid by the employees are currently paid into one stock fund and one pension fund. The pension commitment of the company guarantees that employees will receive the nominal pension contribution which they paid in.

The fund assets serving the funding of the pension commitments under the deferred compensation programme which come essentially from the capital contributions paid by the employees were contributed to a so-called Contractual Trust Arrangement (CTA) in the 2004 financial year. In the course of this transaction, the assets were transferred to Mercer Treuhand GmbH which acts as trustee for APONTIS PHARMA GmbH & Co. KG. The assets were transferred under the condition that such must be used only for the purpose of financing the direct pension obligations of the included supporting companies resulting from the deferred compensation programme. Beneficiaries will keep their direct claim towards APONTIS PHARMA GmbH & Co. KG in case their pension falls due, even after the implementation of the CTA model.

The obligations arising from the old-age provision programme were taken account of on the balance sheet date by an allocation to the relevant pension provisions.

The obligations from pensions and other commitments are set off with the assets which serve exclusively the fulfilment of old-age pension obligations and similar commitments and which are out of reach of all other creditors (so-called cover assets). Insofar as expenses and income arise in this connection, such are netted. Cover assets are valued at their fair value.

Provisions for anniversary expenses are determined according to actuarial principles by using an actuarial interest rate of 1.60 % (prev. year 1.97 %) and by taking into account the *Richttafeln* [Mortality Tables] 2018 G of Prof. Dr. Klaus Heubeck.

Other provisions are disclosed at their settlement amount which is to be recognised by observing the principle of prudence taking into account a prudent commercial assessment. They take account of all recognisable risks and contingent liabilities. Other provisions are exclusively current provisions, apart from provisions for anniversary expenses.

Liabilities are measured at their settlement amounts.

V. Explanations on the Consolidated Balance Sheet

1. Fixed Assets

The changes occurring in the individual items under consolidated fixed assets are disclosed in the Consolidated Statement of Changes in Fixed Assets (Annex 4) attached hereto, including information on amortisation / depreciation made in the 2020 financial year.

2. Securities held as Fixed Assets

PP Pharma HoldCo GmbH accounts for the assets transferred to the company Mercer Treuhand GmbH as trustor pursuant to Sec. 246 (1) of the HGB in the Consolidated Financial Statements as of 31 December 2020. These are the cover assets of the reinsurance policies for one part of the pension obligations of the subsidiary APONTIS PHARMA GmbH & Co. KG included in the Consolidated Financial Statements.

3. Inventories

Inventories comprise merchandise at a value of EUR 2,923 thousand (prev. year EUR 4,185 k).

4. Accounts Receivable and Other Assets

Any and all trade accounts receivable have a residual term of less than one year.

Other assets are recognised at their nominal amount and comprise essentially prepayments to suppliers of EUR 428 thousand (prev. year EUR 577 k), accounts receivable from the *Bundesagentur für Arbeit* [German Federal Labour Office] for short-time work money of EUR 86 thousand (prev. year EUR 63 k) and creditors with a debit balance of EUR 26 thousand (prev. year EUR 129 k).

Other assets of EUR 253 thousand have a term of more than one year.

5. Accrued income

The accrued income item stands at EUR 608 thousand on the reporting date (prev. year EUR 408 k) and includes payments made for expenses relating to the subsequent period. They contain no amounts for discounts.

6. Deferred taxes

The Group determined deferred taxes from valuation differences between the commercial and tax balance sheet pursuant to Sec. 274 HGB which resulted in a tax relief which was set off in the Consolidated Balance Sheet with deferred tax liabilities arising from consolidation measures. No other deferred tax assets arise on tax losses carried forward which will lead to a tax relief in upcoming periods. They were also set off with other deferred taxes. The Group has deferred tax assets of EUR 747 thousand (prev. year EUR 396 k).

7. Equity

The parent company's share capital amounts to EUR 25 thousand according to the Articles of Association.

8. Provisions for Pensions and Similar Obligations

Provisions for pensions and similar obligations are generally valued pursuant to Sec. 253 of the HGB. For more information, please refer to the explanations on the valuation of pension obligations.

The difference between the recognition of pension provisions pursuant to the applicable average market interest rate from the past ten financial years and the recognition of pension provisions pursuant to the relevant average market interest rate from the past seven financial years pursuant to Sec. 253 (6) of the HGB amounts to EUR 293 thousand (prev. year EUR 291 k).

Assets were set off with pension obligations, insofar as possible. The set off values of securities held as fixed assets pursuant to Sec. 246 (2) sentence 2 of the HGB are as follows:

	31/12/2020 <u>EUR'000</u>	31/12/2019 <u>EUR'000</u>
Pensions and similar obligations	3,367	3,160
Assets set off (cost of acquisition = fair value)	<u>-1,102</u>	<u>-1,034</u>
Balance sheet value on 31 December	<u><u>2,265</u></u>	<u><u>2,126</u></u>

9. Other Provisions

	31/12/2020 <u>EUR'000</u>	31/12/2019 <u>EUR'000</u>
Personnel provisions	2,605	2,369
Provisions for granted discounts	1,275	1,896
Outstanding invoices	805	1,227
Others	<u>155</u>	<u>481</u>
	<u><u>4,840</u></u>	<u><u>5,973</u></u>

10. Liabilities

	of which with a residual term of				Total 31/12/2019 EUR'000
	Total 31/12/2020 EUR'000	less than 1 year EUR'000	more than 1 year EUR'000	more than 5 years EUR'000	
Trade accounts payable	3,259	3,259	0	0	3,132
Accounts payable to shareholders	14,011	0	0	14,011	13,205
Other liabilities	1,091	1,091	0	0	624
- of which from taxes	1,050	1,050	0	0	497
- of which from social security	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>18,361</u>	<u>4,350</u>	<u>0</u>	<u>14,011</u>	<u>16,961</u>

Any and all liabilities disclosed in the Balance Sheet are unsecured in rem.

Liabilities to shareholders in the amount of EUR 14,011 thousand (prev. year EUR 13,205 k) constitute other liabilities.

VI. Explanations on the Consolidated Income Statement

1. Sales Revenue

Revenue broken down according to fields of activity and application:

	2020		2019	
	EUR'000	%	EUR'000	%
Hypertension =				
Single pills	19,046	48.5	11,499	28.7
Vascular	31	0.1	61	0.2
Gynaecology	730	1.9	890	2.2
Arthritis	0	0.0	387	1.0
Others	<u>2,723</u>	<u>6.9</u>	<u>3,494</u>	<u>8.7</u>
Corporate brands (without Single pills)	3,484	8.9	4,832	12.1
COPD (respiratory diseases)	9,572	24.4	10,169	25.4
Diabetes	<u>7,013</u>	<u>17.9</u>	<u>3,186</u>	<u>8.0</u>
Co-Marketing	16,585	42.3	13,355	33.4
Dafiro	125	0.3	10,349	25.8
	<u>39,240</u>	<u>100.0</u>	<u>40,035</u>	<u>100.0</u>

The Group generated this revenue, in full, in Germany, like in the year before.

2. Other Operating Income

Other operating income amounts to EUR 2,639 thousand in the financial year (prev. year EUR 1,304 k) and comprises mainly income from remunerations in kind for the provision of company cars of EUR 640 thousand (prev. year EUR 638 k) and income from the reversal of provisions not related to the current period of EUR 1,558 thousand (prev. year EUR 308 k).

3. Personnel Expenses

	2020	2019
	EUR'000	EUR'000
Wages and salaries	13,685	15,903
Social security expenses and expenses for old-age provisions and assistance	2,827	2,698
- of which expenses for old-age provision	<u>(219)</u>	<u>(210)</u>
	<u>16,512</u>	<u>18,601</u>

4. Amortisation of Intangible Fixed Assets and Depreciation of Property, Plant and Equipment

	2020 <u>EUR'000</u>	2019 <u>EUR'000</u>
Intangible assets	1,627	541
- of which unscheduled	<u>125</u>	<u>0</u>
Property, plant and equipment	11	11
Low-value assets	<u>16</u>	<u>18</u>
	<u>27</u>	<u>29</u>
	<u>1,654</u>	<u>570</u>

5. Other Operating Expenses

In the past 2020 financial year, other operating expenses amounted to EUR 10,112 thousand (prev. year EUR 13,348 k) and consisted mainly of expenses for distribution costs of EUR 1,981 thousand (prev. year EUR 2,823 k), expenses for temporary workers of EUR 1,071 thousand (prev. year EUR 2,087 k), car costs of EUR 2,091 thousand (prev. year EUR 2,014 k), expenses for marketing of EUR 1,559 thousand (prev. year EUR 1,824 k) and IT costs of EUR 607 thousand (prev. year EUR 1,196 k).

6. Financial Result

	2020 <u>EUR'000</u>	2019 <u>EUR'000</u>
Income from the loan to a shareholder	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Interest and similar income

	2020 <u>EUR'000</u>	2019 <u>EUR'000</u>
Others	<u>5</u>	<u>1</u>
	<u>5</u>	<u>1</u>

Interest and similar expenses

	2020 <u>EUR'000</u>	2019 <u>EUR'000</u>
Interest from shareholder loans	805	759
Compounding of provisions (pensions / anniversary bonuses)	63	69
Others	<u>1</u>	<u>2</u>
	<u><u>869</u></u>	<u><u>830</u></u>

7. Income Tax

Income tax of the past financial year comprises EUR 0 (prev. year EUR -118 k) of corporation and solidarity surcharge and EUR 15 thousand (prev. year EUR 0) of trade tax. Income tax in the 2020 financial year relates, in full, to other accounting periods. Deferred taxes amount to EUR -351 thousand in the past financial year (prev. year EUR -602 k).

VII. Other Disclosures

1. Other Financial Obligations

Other financial obligations are disclosed at their nominal values and can be analysed as follows as of 31 December 2020:

	<u>EUR'000</u>
Payment obligations under rental and leasing contracts in 2021	1,457
from 2022 to 2025	<u>3,505</u>
	<u><u>4,962</u></u>

The advantages of these contracts are the lower capital commitment when compared to an acquisition and the elimination of the recycling risk. Risks might arise from the contractual term, insofar as the assets can no longer be used in full, but no indications exist in this respect at the present time.

In addition to the amounts specified above, PP Pharma HoldCo GmbH has other financial obligations from concluded contracts as of 31 December 2020 which relate to the voluntary audit of the financial statements as of 31 December 2020 and the voluntary audit of the Consolidated Financial Statements for the years ended on 31 December 2018, 31 December 2019 and 31 December 2020 of the parent company of EUR 49 thousand.

No other financial obligations exist to other affiliated companies as of the reporting date.

One of the companies included in the Consolidated Financial Statements is party to various development cooperation contracts. Depending on the progress of such development, certain "milestone" payments are to be made. The contracts contain exit clauses in case projects do not go as planned. The contracts existing on 31 December 2020 contain contractual objectives to be fulfilled beyond the year 2025 which include outstanding financial obligations of approx. EUR 3,739 thousand. Insofar as the development progress is sufficiently concrete until the balance sheet, the obligations arising from such under the contract were recognised as liabilities in the Consolidated Balance Sheet.

2. Average Number of Staff During the Year

The average number of staff employed by the Group during the financial year was

	2020	2019
Executive personnel	7	8
Employees	<u>188</u>	<u>192</u>
	<u>195</u>	<u>200</u>

3. Management

The management and representation is the responsibility of the company PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich), represented by the following managing directors who are authorised to represent the company alone and are exempted from the restrictions of Sec. 181 of the *BGB* [German Civil Code]:

Dr. Edin Hadzic, Investor, Munich
Christian Bettinger, Investor, Munich

No information is provided herein on the total remunerations of the managing directors and reference is made to Sec. 286 (4) of the HGB.

4. Fee for Services Rendered by the Auditor of the Consolidated Financial Statements

The fee charged for services rendered by the auditor of the Consolidated Financial Statements relates to auditing services in the amount of EUR 58 thousand and to tax consultancy of EUR 12 thousand.

5. Events of Special Importance after the Balance Sheet Date

More mutations of the Corona virus were found at the end of 2020 and the beginning of 2021. Furthermore, the second wave of Corona virus infections resulted in new lockdowns. The consequences of the mutation and the second wave of infections will result in effects on the 2021 financial year which cannot be quantified yet. No other events of special importance occurred after the end of the financial year which would need to be taken into account herein.

Monheim am Rhein, 26 February 2021

PP Pharma HoldCo GmbH
Management

Dr. Edin Hadzic

Christian Bettinger

Certificate of the Independent Auditor

To PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich)

Audit Opinions

We audited the Consolidated Financial Statements of **PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich)**, and its subsidiaries (the Group) – consisting of Consolidated Balance Sheet as of 31 December 2020, Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the financial year from 1 January to 31 December 2020 and the Group Notes, including the presentation of the accounting and valuation methods. Furthermore, we audited the Group Management Report of PP Pharma HoldCo GmbH, Monheim am Rhein (formerly: Munich), for the financial year from 1 January to 31 December 2020.

In our opinion and based on the knowledge gained during the audit

- the accompanying Consolidated Financial Statements are, in all essential aspects, in compliance with the provisions under the German commercial law and provide, in consideration of the German generally accepted accounting principles, a true and fair view of the Group's asset and financial situation as of 31 December 2020 as well as of its result of operations for the financial year from 1 January to 31 December 2020; and
- the Group Management Report attached hereto conveys, as a whole, a true and fair view of the Group's situation. This Group Management Report is, in all essential aspects, in line with the Consolidated Financial Statements, is in compliance with the German statutory provisions and correctly reflects the risks and opportunities of its future development.

In accordance with Sec. 322 (3) sentence 1 of the HGB, we declare that our audit did not give rise to any objections against the compliance of these Consolidated Financial Statements and the Management Report.

Bases for the audit opinions

We conducted our audit of the Consolidated Financial Statements in accordance with Sec. 317 of the HGB and the German generally accepted standards for auditing as promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (IDW). Our responsibility arising from these provisions and standards is described in more detail in the section “Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report” of our Auditor’s Certificate. We are independent of the Group companies as defined in the provisions of the German Commercial Code and the laws applicable to our profession and have met our other German professional obligations in line with these requirements. We are of the opinion that the evidence we obtained during the audit is sufficient and suitable to serve as basis for our audit opinion on the Consolidated Financial Statements and the Group Management Report.

Responsibility of the Legal Representatives for the Consolidated Financial Statements and the Management Report

The legal representatives are responsible for the preparation of Consolidated Financial Statements which are in compliance with the provisions of the German Commercial Code in all essential respects and that the Consolidated Financial Statements, by observing the German generally accepted accounting principles, convey a true and fair view of the asset, financial situation and the result of operations of the Group. Furthermore, the legal representatives are responsible for the internal controls which they determined to be necessary in accordance with the German generally accepted accounting principles to enable the preparation of Consolidated Financial Statements which are free of essential misrepresentations — caused due to fraud or error.

In the preparation of the Consolidated Financial Statements, the legal representatives are responsible for assessing the Group’s ability to continue its business activity as a going concern. Furthermore, they are responsible for stating matters associated with the going concern assumption, insofar as that is necessary. Moreover, they are responsible for accounting on the basis of the going concern accounting principle, unless that is opposed by actual or legal matters.

In addition, the legal representatives are responsible for preparing the Group Management Report which, as a whole, conveys a true and fair view of the Group and is, in all essential aspects, in line with the Consolidated Financial Statements, in compliance with the German statutory provisions and correctly presents the risks and opportunities of the Group's future development. Furthermore, the legal representatives are responsible for taking the precautions and measures (systems) they consider necessary to allow for the preparation of a Group Management Report that is in line with the applicable German legal provisions and to provide a sufficient number of suitable evidences underlying the statements in the Group Management Report.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurances as to whether the Consolidated Financial Statements are, as a whole, free of essential misrepresentations – due to error or fraud –, whether the Group Management Report conveys, as a whole, a true and fair image of the Group's situation and is, in all essential aspects, in line with the Consolidated Financial Statements and the knowledge gained during the audit, complies with the statutory German provisions and correctly presents the opportunities and risks of the Group's future development, as well as to provide an Auditor's Certificate containing our audit opinions on the Consolidated Financial Statements and the Group Management Report.

Reasonable assurance is a high degree of assurance but no guarantee that an audit performed in line with Sec. 317 of the HGB, by observing the German generally accepted auditing standards as promulgated by the Institut der Wirtschaftsprüfer (IDW), always detects any essential misrepresentation. Misrepresentations might arise from violations or inaccuracies and are considered essential if it can reasonably be expected that they, individually or combined, might affect the economic decisions that users of these documents make on the basis of these Consolidated Financial Statements and the Group Management Report.

We apply professional judgement during the conduct of the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of essential misrepresentations — due to error or fraud — in the Consolidated Financial Statements and the Group Management Report, plan and conduct

audit activities in response to these risks and obtain audit evidence which is sufficient and suitable to serve as basis for our audit opinions. The risk that essential misrepresentations are not discovered is higher for violations than for inaccuracies since violations might involve fraudulent conduct, forgery, intended incompleteness, misleading representations and/or the overriding of internal controls.

- we gain an understanding of the internal control system relevant for the audit of the Consolidated Financial Statements and the precautions and measures relevant for the audit of the Group Management Report, in order to plan audit activities which are adequate under the prevailing circumstances, but not in order to provide the Group with an audit opinion on the effectiveness of these systems.
- we assess the adequacy of the accounting methods applied by the legal representatives and the reasonableness of the values estimated by the legal representatives and the information and statements associated therewith.
- we draw conclusions on the adequacy of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether an essential uncertainty exists in connection with events or situations which might raise serious doubts about the Group's ability to continue to exist as a going concern. If we come to the conclusion that an essential uncertainty exists, we are obliged to provide information in the Auditor's Certificate regarding the associated information disclosed in the Consolidated Financial Statements or the Group Management Report or to modify our audit opinion if the information is inadequate. We draw our conclusions on the basis of the audit evidence obtained until the date of our Auditor's Certificate. Future events or situations might, however, result in the fact that the Group is unable to continue its business activities.
- we assess the overall presentation, the structure and contents of the Consolidated Financial Statements, including the information as to whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements, in consideration of the German generally accepted accounting principles, convey a true and fair view of the asset and financial situation and the result of operations of the Group.
- we obtain sufficient audit evidence for the accounting information of the companies or business activities within the Group to provide an audit opinion on the Consolidated Financial Statements. We are responsible for the instructions, supervision and performance of the audit

of the Consolidated Financial Statements. We bear the sole responsibility for our audit opinion.

- we assess whether the Group Management Report is in line with the Consolidated Financial Statements, complies with the legal provisions and the image it conveys of the Group's situation.
- we perform audit activities on the future-related information provided by the legal representatives in the Group Management Report. Based on sufficiently suited audit evidence, we review the important assumptions made by the legal representatives which form the basis of such future-related information and assess whether the future-oriented information was correctly derived from such assumptions. We do not provide an independent audit opinion on the future-related information and the underlying assumptions. There is a significant unavoidable risk that future events might essentially deviate from the future-oriented information.

We discuss with the persons responsible for the supervision, inter alia, the planned scope and schedule of the audit as well as important audit findings, including any deficiencies in the internal control system which we detect during our audit.

Bonn, 26 February 2021

Ebner Stolz GmbH & Co. KG

Auditing Company Tax Consultancy

Torsten Janßen

Barbara

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Auditor

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