

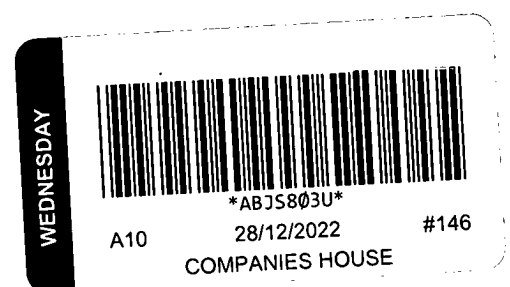
Registration number: 09684636

Pharmalex UK Holding Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Rüdl & Partner Limited
170 Edmund Street
Birmingham
B3 2HB



Pharmalex UK Holding Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5 to 7
Profit and Loss Account and Statement of Retained Earnings	8
Balance Sheet	9
Notes to the Financial Statements	10 to 16

Pharmalex UK Holding Limited

Company Information

Directors	J W S Jeffery C J Colton
Registered office	170 Edmund Street Birmingham B3 2HB
Auditors	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB

Pharmalex UK Holding Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is a holding company for the UK services companies, which operates in pharmaceutical consultancy specialising in regulatory affairs, development consulting and pharmacovigilance.

Fair review of the business

The company is a holding company and does not trade.

During the period ending 31 December 2021, the company recorded profits before tax of £746,190 (2020: £1,574,752). At 31 December 2021, the company had investments of £2,955,101 (2020: £2,955,241) and net assets of £4,684,452 (2020: £3,949,413).

There are no KPI's that management uses to evaluate the company's performance, as this is a holding entity.

Principal risks and uncertainties

The only financial risk of the company is liquidity in relation to its intercompany loan obligations. There are loan obligations to its parent company and these are serviced through dividend payments from its subsidiaries and loans owing from its subsidiaries. In mitigating this risk, the subsidiaries of the company hold cash and manages this through cashflow forecasts and budgets to ensure that they are able to settle payments when they are due.

Approved and authorised by the Board on 28/12/2022 and signed on its behalf by:



.....
C J Colton
Director

Pharmalex UK Holding Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the company

The directors who held office during the year were as follows:

J W S Jeffery

C J Colton

Dividends

There were no dividends paid during the period (2020: none).

Future developments

Management is anticipating further investments in new subsidiaries in 2022. It is likely that there will be intercompany loans associated with such activities.

Going concern

Going forward the only transactions in the company's accounts will be intercompany loans and on this basis the directors have concluded that there are no material uncertainties that may cast doubt about the company's ability to continue as a going concern.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Rödl & Partner Limited as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved and authorised by the Board on 28/12/2022 and signed on its behalf by:



.....
C J Colton
Director

Pharmalex UK Holding Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pharmalex UK Holding Limited

Independent Auditor's Report to the Members of Pharmalex UK Holding Limited

Opinion

We have audited the financial statements of Pharmalex UK Holding Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account and Statement of Retained Earnings, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical 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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Pharmalex UK Holding Limited

Independent Auditor's Report to the Members of Pharmalex UK Holding Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Pharmalex UK Holding Limited

Independent Auditor's Report to the Members of Pharmalex UK Holding Limited

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: 28th Dec 2022

Pharmalex UK Holding Limited

Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	310,717	310,525
Cost of sales		<u>(17,939)</u>	<u>(18,750)</u>
Gross profit		292,778	291,775
Administrative expenses		<u>(311,343)</u>	<u>(340,947)</u>
Operating loss		<u>(18,565)</u>	<u>(49,172)</u>
Income from other fixed asset investments		690,000	1,625,000
Other interest receivable and similar income	4	359,382	288,295
Interest payable and similar charges	5	<u>(284,627)</u>	<u>(289,371)</u>
		<u>764,755</u>	<u>1,623,924</u>
Profit before tax		746,190	1,574,752
Taxation	8	<u>(11,151)</u>	<u>-</u>
Profit for the financial year		735,039	1,574,752
Retained earnings brought forward		<u>2,364,416</u>	<u>789,664</u>
Retained earnings carried forward		<u><u>3,099,455</u></u>	<u><u>2,364,416</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Pharmalex UK Holding Limited
(Registration number: 09684636)
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	9	2,955,101	2,955,241
Current assets			
Debtors	10	7,380,093	6,989,574
Cash at bank and in hand		28,709	61,794
		<u>7,408,802</u>	<u>7,051,368</u>
Creditors: Amounts falling due within one year	12	<u>(388,561)</u>	<u>(144,509)</u>
Net current assets		<u>7,020,241</u>	<u>6,906,859</u>
Total assets less current liabilities		9,975,342	9,862,100
Creditors: Amounts falling due after more than one year	12	<u>(5,290,890)</u>	<u>(5,912,687)</u>
Net assets		<u>4,684,452</u>	<u>3,949,413</u>
Capital and reserves			
Called up share capital		1,157	1,157
Share premium reserve		1,583,840	1,583,840
Retained earnings		<u>3,099,455</u>	<u>2,364,416</u>
Shareholders' funds		<u>4,684,452</u>	<u>3,949,413</u>

Approved and authorised by the Board on 28/12/2022 and signed on its behalf by:



.....
C J Colton
Director

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

170 Edmund Street

Birmingham

B3 2HB

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency of these financial statements is Sterling. All amounts have been rounded to the nearest £1.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) Disclosing transactions with related entities in accordance with FRS 102 paragraph 33;
- (ii) Cash flow statement and related notes; and
- (iii) Preparation of group accounts under Section 401.

The information is included in the consolidated financial statements of PharmaLex GmbH as at 31 December 2021, which are available to the public and may be obtained in Germany..

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Foreign currency transactions and balances

Transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit and loss in the period in which they arise.

Tax

The tax expense for the period comprises tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Other revenue	<u>310,717</u>	<u>310,525</u>

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

4 Other interest receivable and similar income

	2021	2020
	£	£
Other finance income	<u>359,382</u>	<u>288,295</u>

5 Interest payable and similar expenses

	2021	2020
	£	£
Interest expense on other finance liabilities	<u>284,627</u>	<u>289,371</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	236,425	229,102
Social security costs	46,830	52,856
Other short-term employee benefits	1,208	1,044
Pension costs, defined contribution scheme	<u>18,217</u>	<u>17,948</u>
	<u>302,680</u>	<u>300,950</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Other departments	<u>1</u>	<u>1</u>

7 Auditors' remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>3,225</u>	<u>6,000</u>
Other fees to auditors		
Taxation compliance services	<u>1,750</u>	<u>1,750</u>

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

8 Taxation

Tax charged/(credited) in the profit and loss account

	2021	2020
	£	£
Current taxation		
UK corporation tax	<u>11,151</u>	<u>-</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£	£
Profit before tax	<u>746,190</u>	<u>1,574,752</u>
Corporation tax at standard rate	141,776	299,203
Effect of revenues exempt from taxation	(131,100)	(308,750)
Effect of expense not deductible in determining taxable profit (tax loss)	475	4,781
Tax increase arising from group relief	<u>-</u>	<u>4,766</u>
Total tax charge	<u>11,151</u>	<u>-</u>

9 Investments

	2021	2020
	£	£
Investments in subsidiaries	<u>2,955,101</u>	<u>2,955,241</u>

Subsidiaries	£
Cost or valuation	
At 1 January 2021	2,955,241
Disposals	<u>(140)</u>
At 31 December 2021	<u>2,955,101</u>
Provision	
Carrying amount	
At 31 December 2021	<u>2,955,101</u>
At 31 December 2020	<u>2,955,241</u>

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Pharmalex UK Services Limited	England	Ordinary shares	100%	100%
TRAC Services Limited	England	Ordinary shares	0%	100%
Pharmalex UK Complimed Holding Limited	England	Ordinary shares	0%	54.55%
Pharmalex UK Regulis Holding Limited	England	Ordinary shares	0%	80%

During 2022, the Company made an acquisition of a new group of companies. The acquisition has been financed by an intercompany loan of £36.6m.

10 Debtors

	2021	2020
	£	£
Amounts owed by related parties	7,165,230	6,984,840
Other debtors	214,863	4,734
	<u>7,380,093</u>	<u>6,989,574</u>

Details of non-current trade and other debtors

£7,110,106 (2020: £6,932,734) of amounts owed by related parties comprise loans to group undertakings which are classified as non current.

11 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	<u>28,709</u>	<u>61,794</u>

Pharmalex UK Holding Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Creditors

	Note	2021 £	2020 £
Due within one year			
Trade creditors		379	4,710
Amounts due to related parties		288,125	55,959
Social security and other taxes		10,820	10,646
Accruals		78,086	73,194
Corporation tax liability	8	<u>11,151</u>	<u>-</u>
		<u>388,561</u>	<u>144,509</u>
Due after one year			
Other non-current financial liabilities		<u>5,290,890</u>	<u>5,912,687</u>

13 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £18,217 (2020 - £17,947).

14 Share capital

Allotted, called up and fully paid shares

	2021 No.	£	2020 No.	£
Ordinary shares of £1 each	<u>1,157</u>	<u>1,157</u>	<u>1,157</u>	<u>1,157</u>

15 Parent and ultimate parent undertaking

The company's immediate parent is PharmaLex GmbH, incorporated in Germany.

The smallest and largest group in which the results of the company are consolidated is that headed by the ultimate controlling part, PharmaLex GmbH. These financial statements are available upon request from handelsregister.de

PharmaLex Holding GmbH

Management Report, Consolidated Financial Statements and Auditor Report

1. Group Management Report for the Financial Year 1st January 2021 to 31st December 2021
2. Group Balance Sheet at 31st December 2021
3. Group P&L for the Financial Year 1st January 2021 to 31st December 2021
4. Notes to the consolidated Financial Statements for the Financial Year 1st January 2021 to 31st December 2021
5. Development of Fixed Assets for the Financial Year 1st January 2021 to 31st December 2021
6. Cash flow Statement for the Financial Year 2021
7. Development of Group Equity for the Financial Year 1st January 2021 to 31st December 2021
8. Independent Auditor Report (see separate pdf File)



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PharmaLex Holding GmbH

Group management report for the financial year from 01 January 2021 to 31 December 2021

A. Group principles

Group structure and business model

The PharmaLex Group is one of the leading suppliers of services relating to regulatory affairs, pharmaceutical vigilance, quality management & compliance as well as medicine development for the biotech and pharmaceutical industry and also supports suppliers of medical products with comparable services. PharmaLex Holding GmbH, Friedrichsdorf, (hereinafter also referred to as the parent company) produces the commercial law consolidated financial statements as the top-level parent company of the PharmaLex Group.

The PharmaLex Group services relating to pharmaceutical vigilance (medicine safety) include collecting, recording, monitoring and reporting the side effects of pharmaceutical products. With regard to regulatory affairs, PharmaLex supports its customers above all in creating and submitting dossiers for new registrations and obtaining registrations for individual substances and also complete product portfolios. The PharmaLex Development Consulting & Scientific Services department advises its customers on the whole drug development process, for example when creating a clinical development plan and regulatory strategy. The quality management department supports the planning and documentation of quality management systems (QMS), preparation of audits and inspections and adapting to modified production and sales processes.

The shareholders founded what is now the PharmaLex Group in 2014 and 2015 as part of a growth concept and since that time have significantly increased its size and systematically made it more international by building up the core business and purchasing competitors ("buy and build" concept).

In 2021 the company grew further through corporate acquisitions in Germany, Australia, Belgium, Spain, Portugal, France, Italy, Great Britain and the Netherlands. This supplemented the range of services on offer and strengthened the market position in the stated markets.

The business activities of the PharmaLex Group can be simply divided into the following areas (listed by the time when the individual companies were purchased):

- **Germany division**
 - a) PharmaLex GmbH division
 - b) Osthus GmbH
 - c) PharmaSolutions GmbH
 - d) Yes Medical Devices GmbH
- **International division:**
 - e) PharmaLex Spain S.L.
 - f) PharmaLex UK Services Ltd.
 - g) PharmaLex US Corp
 - h) PharmaLex India Private Ltd.
 - i) PharmaLex Denmark A/S
 - j) PharmaLex Norway A.S.
 - k) PharmaLex Bulgaria Jsc.
 - l) PLX Healthcare Services (Schweiz) AG
 - m) PharmaLex France SAS
 - n) PharmaLex Belgium S.A.

- o) PharmaLex Sweden AB
- p) PharmaLex Ireland Ltd.
- q) Echo Consulting Group Inc trading as PharmaLex Puerto Rico
- r) PharmaLex Italia S.R.L
- s) Vintura B.V.
- t) Arbour Group
- u) Biostat Solutions LLC
- v) Archemin B.V.
- w) Oblikue Consulting S.LU.
- x) PharmaLexPty Ltd
- y) PharmaLex Portugal, Unipessoal Lda
- z) BlueReg Group SAS
- aa) MA Provider SRL
- bb) 3P Solution S.R.L.A
- cc) Equalis Strategy Modeling BV
- dd) ERA Consulting (UK) Ltd

Germany division

The Germany division primarily covers PharmaLex GmbH (hereinafter referred to as PharmaLex) and the companies Osthus GmbH and PharmaSolutions GmbH acquired in 2021.

PharmaLex was founded in 2014 under the name Yes Pharma Services GmbH from a company established in 1994 and has its head office in Friedrichsdorf. PharmaLex grew through the merger of YES Pharma Services and PharmaLex as well as the purchase of other special service providers in Europe and the USA. PharmaLex is a large corporation. PharmaLex is now one of the leading suppliers of services relating to regulatory affairs for the biotech and pharmaceutical industry and also supports suppliers of medical products with comparable services. Services are offered in the following areas: Pharmaceutical vigilance (medicine safety), regulatory affairs, development consulting & scientific affairs.

Osthus GmbH was founded in 1995 and is located in Aachen, North Rhine-Westphalia. After successfully restructuring the business operations in the first half of 2021, in August 100 % of the shares in Osthus were sold to PharmaLex. In commercial law terms Osthus is a medium-sized company. With its focus on life science research, Osthus has become a leading solution supplier for digitisation with over 780 projects and a hundred experts worldwide. The consulting services range from implementation to services. As a system integrator with specialist knowledge in all areas of the life science industry, Osthus supports its customers to implement innovative solutions that meet their requirements and increase productivity.

PharmaSolutions GmbH is a leading global bio-science company that focuses on IT and business support for pharmaceutical vigilance. The company offers services in 3 business areas: (1) Software & (2) Argus hosting and (3) PV services from its head office in Kaiserslautern, Germany. PharmaSolutions GmbH is a small company.

International division

- PharmaLex Spain S.L.U. is a leading supplier of pharmaceutical vigilance (medical safety) and regulatory affairs with its headquarters in Zaragoza, Spain. In addition to services for the Spanish market, it also offers nearshoring activities for PharmaLex GmbH. In 2018 the company McCrowley & Hughes was purchased and during that year merged with PharmaLex Spain. This company focuses on similar service areas; locations were added in Madrid and Pamplona. In 2019 a new location was opened in Barcelona. Oblikue Consulting S.L.U. was purchased in 2021; it is a service company that offers advice in all phases (from product preparation to market launch), applied research and the development of exclusive instruments relating to the health economy.

- PharmaLex UK Services Ltd. is a service company in the United Kingdom working in medicine development, regulatory affairs and pharmaceutical vigilance. As of 01/10/2019 the assets of Trac Services Ltd., which offers services relating to regulatory affairs, were brought into the company.

On 01/07/2021 the assets of Complimed Ltd, a niche supplier for consulting on compliant health advertising in Great Britain, and Regulis Ltd, a consulting company for regulatory (medicines and equipment, some DCS) and PV services were acquired by the company.

- In the USA 6 individual companies merged to form PharmaLex US Corp in 2018. The company offers services relating to medicine development, regulatory affairs, medicine safety, pharmaceutical epidemiology, pharmaceutical vigilance and quality management for drugs and medical products.
- PharmaLex India Private Ltd. focuses on standardised activities, in particular relating to pharmaceutical vigilance and the creation of protocols and reports for pharmaceutical studies. The services are provided for the regional market and other Group companies.
- Jacobsen Pharma Consultancy A/S offers its services to the pharmaceutical and related industries and specialises in pharmaceutical vigilance, regulatory affairs, medicine safety and medical devices. From 2019 it also offers products relating to quality management for drugs and medical products.
- PharmaLex Norway AS is a consultancy that in particular provides services relating to pharmaceutical vigilance. From 2020 on additional service offerings were established in Regulatory Services, Development Consulting and Quality Management.
- PharmaLex Bulgaria mainly carries out services in the form of nearshoring activities for the regulatory affairs division of PharmaLex GmbH.
- Business operations at PLX Healthcare Services (Schweiz) AG were restarted in 2020. The company offers distribution services.
- PharmaLex France SAS serves customers in the biotech industry and medium-sized pharmaceutical companies and focuses on services relating to regulatory affairs, development consulting & scientific affairs. In 2018 the company Biofides, the holding company of ARC Pharma, was purchased and during that year it merged with PharmaLex France. The company is a consultancy mainly for regulatory affairs and also offers training programmes (e-newsletters, seminars).
- PharmaLex Belgium S.A. offers its customers services and software solutions for statistical analyses that are used by the pharmaceutical industry in particular during the galenic and analytical development and production process. In 2019 services were also offered for regulatory services.
- PharmaLex Sweden AB is a service provider for health economics and the analysis of health data. In addition, the company has developed a software tool (MedTech20) that assesses patient benefits from medical products. From 2020 on additional service offerings were offered in Regulatory Services, Pharmaceutical Vigilance and Quality Management.
- PharmaLex Ireland Ltd. is a supplier of consulting services for setting up and implementing quality management systems (QMS) and preparing audits and data integration.
- PharmaLex Italia S.R.L. focuses on services relating to regulatory affairs; from 2019 it now also sells other services relating to pharmaceutical vigilance and quality management.
- Echo Consulting Group Inc trading as PharmaLex Puerto Rico has experience in quality management, in particular pharmaceutical validation and compliance with regulatory requirements for modified production processes.
- Vintura B.V. has specialised in services relating to health and pharmaceuticals and offers high-end consulting to pharmacies, bio-sciences and hospitals.
- The Arbour Group offers computer system validation services for pharmaceutical, medical technology and biotech companies.
- Biostat Solutions, Inc. is a statistical consulting company and clinical research organisation ("CRO") that has specialised in pharmaceutical genomics, including

tests and statistical analyses for medical pharmaceutical and genetic research applications.

- Archemin B.V. offers services for regulatory support and market access for pharmaceutical products. The company's expertise mainly covers pharmaceutical vigilance, regulatory affairs, medical information, clinical studies and market access.
- Oblikue Consulting S.LU.'s specialist area is price and reimbursement negotiation services to support negotiations. The company is mainly active on the Spanish market and has two main groups of customers - local subsidiaries of large pharmaceutical companies and small to medium-sized biotech companies.
- PharmaLex Pty Ltd offers services for regulation, quality management and reimbursement services for medical products and pharmaceuticals.
- PharmaLex Portugal, Unipessoal Lda concentrates on regulatory affairs, market access, pharmaceutical vigilance and medical writing. The company mainly operates in the Portuguese market and has national as well as multinational customers.
- BlueReg Group SAS was founded in 2011 and has its head office in Valbonne, France. The company offers strategic regulatory advice for life science companies and has offices in France (Valbonne/Sophia Antipolis, Paris), the USA (Boston), Great Britain (London) and most recently in Mauritius.
- MA Provider SRL MAP is a consulting company specialised in market access and pricing. Mapcom Consulting advises other companies on marketing, communication, PR and other issues. 3P Solution S.R.L.A concentrates on organising events on all aspects of medical training.
- Equalis Strategy Modeling BV is a health economy consulting company specialised in risk structure balancing and financing health. The customers are mainly comprised of state institutions and health associations.
- ERA Consulting GmbH founded the British subsidiary ERA Consulting (UK) Ltd in 1995 and in 2004 opened a branch in Australia. The core business of ERA is consulting on bio-pharma advice specialising in cell and gene therapy, biosimilars, small and large molecules. ERA Consulting GmbH and the Australian subsidiary were merged with other group companies in 2021.

A. Macroeconomic and sector-specific framework

According to the "World Economic Outlook" published by the International Monetary Fund IMF dated January 2022 growth in the global economy is forecast at 4.4 % in 2022 and 3.8 % in 2023. The forecast for 2022 was lowered by 0.5 percent in comparison to the previous forecast.

The IMF lowered in particular the forecast for the USA: by 5.2 % in October 2021 to now 4.0 % - a reduction of 1.2 percent. For Germany the IMF currently expects growth of 3.8 % (-0.8 % compared with the previous forecast). In contrast the IMF increased its forecast for India by 0.5 % to now 9.0 %. Japan also saw a slight upward correction (+0.1 %).

Therefore according to the IMF the global economy started 2022 weaker than expected. The IMF sees the reasons in a range of developments: With the spread of the new Omicron variant of the coronavirus, numerous countries have reintroduced mobility restrictions. In addition, rising energy prices and supply interruptions have resulted in higher and wider inflation than previous expected, in particular in the United States and many emerging and developing countries. The ongoing restrictions in the Chinese property sector and slower than expected recovery in private consumption have, according to the IMF, also resulted in limited growth prospects.

Global growth for 2021 is estimated at +5.9 %.

Standard & Poor's expects stable development for the pharmaceutical industry. After 22 months the health industry has overcome the effects of the COVID19 pandemic relatively well. The volume of patients and treatments has in many areas returned to the level before the pandemic. The ongoing high demand for tests, safety-related medical products as well as COVID tests and vaccinations provides a positive valuation dynamic in some areas of health, e.g. laboratories, bio-sciences and pharmaceutical companies.

Standard & Poor's believes the growth rate of health expenditure will slow down but the costs distorted by COVID19 will remain high. The growth in expenses will weaken from the accelerated level in 2020 and return to the steady increase before COVID. It is also expected that mergers and acquisitions will return fully in 2022. In addition, pressure on margins in the health services segment will continue, hospitals and health service providers are combating many challenges arising from lower patient and treatment numbers than usual, higher patient numbers than typical and workforce shortages.

The clinical research outsourcing market, which is important for PharmaLex should grow annually from 2022 by 6.5 % to USD 74.7 billion (2030). The rising costs of medicine development are expected to drive the market demand in the forecast period. Rising costs for clinical studies and challenges in patient recruitment have caused bio-pharmaceutical companies to turn to such regions as Central and Eastern Europe, Asia-Pacific, Latin America and the Middle East to save costs and quickly recruit patients. The CRO market was temporarily adversely affected by the pandemic resulting in the closure of clinical test centres. As a result of the high demand for treatments, the clinical test centres were re-opened with particular measures and precautions in order to prevent the spread of the virus. In addition, the global focus on searching for a vaccine for coronavirus significantly affected the development of vaccines and drugs for COVID19. This is expected to have a positive effect on the market. As a consequence of the pandemic those operating in the CRO market have developed powerful tools to support virtual clinical studies in order to support the sponsors of the studies. Such measures are likely to increase market growth.

According to the IQVIA Institute for Human Data Science, it is expected that the global expenditure for medicines will increase up to 2026 with an average annual growth rate (CAGR) of 3 % to 6 % to around USD 1.8 billion, including expenses for COVID19 vaccines.

B. Customers and sales markets

The PharmaLex Group offers comprehensive expertise over many years as well as a strong network and relationships with state health authorities. The PharmaLex group's main customers are pharmaceutical and biotech companies. They also include medical technology companies. Through the ten largest customers the group generated business volumes of around EUR k 44.288 in the period under review (previous year: EUR 39,715 k). This represented 29 % of the revenue (compared with 34 % in the previous year). The business is mainly concentrated in the EMEA (Europe, Middle East and Africa) and North America regions. With a revenue share of 68 % (previous year: 72 %) the EMEA region is currently the most important sales area for the PharmaLex Group.

C. Corporate management, objectives and strategy

The aim of the PharmaLex Group is to provide services with the greatest possible efficiency and lowest complexity at the highest benefit for customers in order to increase the company's value through profitable growth. The link between local presence and global competency and capacity makes the PharmaLex model extraordinarily flexible and enables individual service solutions in the customers' increasingly complex environment. The growth should be secured through solid finances. An appropriate interest rate level is desired for the capital deployed.

D. Internal control and risk management system

The general objective of the financial and risk management system is to protect the company's success against financial risks of all kinds. In order to ensure the alignment of business activities to a sustainable increase in the company's value, the PharmaLex Group operates a group-wide planning and controlling system that is based on central control indicators.

The economic planning and control is executed by the framework requirements approved by the management and stored in a balanced scorecard. These are implemented into specifically measurable targets in the operational budget planning. The planning and control process is completed by the ongoing monitoring of business development with assessments of key control and performance indicators updated at regular intervals. This is how the objective implementation is tracked and measures can be introduced to counteract any plan variances.

Revenue and results factors are built at the operational level on key economic control elements within the group. There is a special focus on the EBITDA adjusted for special influences for the earnings factors. The PharmaLex Group highly values the profitability and liquidity-oriented indicators, including revenue, gross earnings and EBITDA as well as free cash flow in order to ensure that in the event of variations early countermeasures can be initiated and if necessary strategic decisions can be made in good time. To achieve this, the management has a permanent exchange with the relevant directors about results and future development; it sees this as a key element of success in connection with the management reporting system.

Operationally the control is implemented using defined objectives and performance indicators relating to for example finance, customers, business processes, organisation and development. For these the group has developed key action areas and implemented the relevant management systems and work groups. In order to detect the varied influencing factors on business at an early stage and take these into account for corporate control, the PharmaLex Group observes various operational early indicators. The most important early indicator is incoming orders into the business segments that show the expected utilisation of the capacities. In order to further develop the professionalism already achieved, in 2021 there are plans to roll out a common capacity planning tool for customer order control across all divisions and regions. In addition, appropriate market, economic growth and industry data are analysed in order to obtain important insight into future business prospects.

Ongoing implementation, checking and modification of the guidelines ensures that the management systems are improved continuously and adapted to the relevant specific requirements.

The PharmaLex Group invests continuously in the introduction and development of the ISO 9001 quality management system and the GxP quality standards. A good image, ongoing customer loyalty and meaningful references can only be achieved if the quality of the consulting services provided completely meet or exceed the customers' expectations.

B. Research and development

In 2017 PharmaLex started initial development work relating to IT systems for Robotic Process Automation (RPA). The aim is to make simple services relating to pharmaceutical vigilance and regulatory affairs more efficient using RPA. If the development is correspondingly successful direct integration of these software solutions in customer services is also a possibility. These development activities will continue and be expanded further from 2020 onwards. As part of this Technology Enabled Services Strategy (TESS)

PharmaLex is investigating how RPA, machine learning and artificial intelligence can be used in decision making in the value-added chain from development to manufacture and marketing with the aim of automating processes and making them more efficient. An official Tess Board has been established to analyse the ideas that could give rise to projects.

C. Economic report

I. Description and analysis of business, the 2021 results of consolidated companies and the Group's profitability

The PharmaLex Group generates its revenue exclusively from the provision of services for a variety of mainly internationally active pharmaceutical companies.

The business has significant growth potential. The PharmaLex Group benefits from the restructuring and concentration process within the pharmaceutical industry, which is driven forward in particular by the large pharmaceutical groups and has been ongoing for some time.

Although the pharmaceutical industry, when compared with others, tends to be growth-dependent, it has had to deal with new challenges in the early part of the new millennium: the effects of public savings efforts, lower research and development efficiency and the clear movements in global demand.

The restructuring process of the pharmaceutical industry is manifested by the numerous global corporate mergers and acquisitions. In parallel to this, there is also stronger fragmentation in the supply chain (outsourcing).

As a result of the increasing cost and efficiency pressure in the pharmaceutical industry, this business model of order manufacturer/service provider has fundamentally changed because the major pharmaceutical companies are increasingly focused on higher value-added tasks (research and development, sales and marketing), want to invest less time in manufacturing and updating registrations on established products and increasingly outsource these tasks to third parties via order manufacturing or assign existing internal activities and processes to service providers such as the PharmaLex Group.

The earnings situation in the main holdings of the PharmaLex Group is described below:

PharmaLex Spain S.L.U.

The company (fully consolidated since July 2015) generated in the 2021 financial year revenues totalling EUR k 10,206 (previous year: EUR k 8,383) and adjusted EBITDA of EUR k 2,076 (previous year: EUR 2,017 k). The revenue growth is due to the expansion of nearshoring activities for various Group companies and higher additional revenue from local customers. As a result of the company's excellent reputation, customer projects are handled both in Spain and Europe with high project utilisation and profitability.

PharmaLex UK Services Limited

The company (fully consolidated since August 2015; since 01/10/2019 also including the Trac business) generated in the 2021 financial year revenues totalling EUR k 15,116 (previous year: EUR k 7,998) and adjusted EBITDA of EUR k -4,020 (previous year: EUR 1,746 k). The strong increase in revenue and fall in profit is due to the merger in 2021 of Complimed Limited and Regulis Limited with PharmaLex UK Services Limited.

PharmaLex US Corp

PharmaLex Corp was created from the merger of PharmaLex US LLC, PharmaLex Development Services LLC, Safis Solutions LLC, Degge Group Inc., Complya Consulting Group LLC and Arlenda Inc. In the 2021 financial year the company generated revenues totalling EUR k 14,128 (previous year: EUR k 14,368) and adjusted EBITDA of EUR k 354

(previous year: EUR k 454). No major changes were recorded for the company compared to the previous year.

PharmaLex India Private Ltd.

The company (a group company since 2013) generated in the 2021 financial year revenues totalling EUR k 5,531 (previous year: EUR k 2,078) and adjusted EBITDA of EUR k 1,302 (previous year: EUR 170 k). In 2021 a large customer order was won and started relating to the observation of side effects for a COVID19 vaccination.

PharmaLex Denmark A/S

The company was created in March 2018 from the merger of Jacobsen Pharma Consultancy A/S and Lindeq A/S Denmark. The 2021 consolidated results include revenues totalling EUR k 4,414 (previous year: EUR k 4,470) and adjusted EBITDA of EUR k 633 (previous year: EUR k 785). The company's business was stable in 2021.

PharmaLex Norway A/S

The company (a group company since March 2016) generated in the 2021 financial year revenues totalling EUR k 2,262 (previous year: EUR k 1,312) and adjusted EBITDA of EUR k 555 (previous year: EUR k 145). Local customer relationships including with Karo Pharma were successfully developed further.

PharmaLex Bulgaria Jsc.

In March 2017 the company was sold by PharmaLex Norway A/S to PharmaLex GmbH. The company supports the German company for project activities. The consolidated results include revenues totalling EUR k 2,764 (previous year: EUR k 2,258) and adjusted EBITDA of EUR k 285 (previous year: EUR k 221).

PLX Healthcare Services (Schweiz) AG

The company's (which was founded in 2015) business operations were restarted in 2020. The focus is on the provision of services relating to distribution, regulatory and development consulting with revenues of EUR k 570 (previous year: EUR 134 k).

PharmaLex France SAS

The company (founded in 2016 and merged in 2018 with the newly acquired ARC) generated revenues in 2021 totalling EUR k 6,852 (previous year: EUR k 5,437) and adjusted EBITDA of EUR k 273 (previous year: EUR k 478). The revenues with the customer Sanofi increased significantly and the revenue reflects the organisational development measures.

PharmaLex Belgium S.A.

The company (fully consolidated since Dec. 2016) generated in the 2020 financial year revenues totalling EUR k 4,679 (previous year: EUR k 4,111) and adjusted EBITDA of EUR k 692 (previous year: EUR k 622). The services offered saw strong demand even during the COVID19 pandemic.

PharmaLex Sweden AB

The Swedish company was acquired with the existing management team on 30/05/2017 and has been fully consolidated since May 2017. The consolidated results include revenues totalling EUR k 1,714 (previous year: EUR k 1,341) and adjusted EBITDA of EUR k 125 (previous year: EUR k 120).

PharmaLex Ireland Limited

The company was acquired with the existing management team on 18/08/2017 and has been fully consolidated since August 2017. The consolidated results include revenues totalling EUR k 4,854 (previous year: EUR k 2,241) and adjusted EBITDA of EUR k 1,112 (previous year: EUR k 274). The significant increase in revenue and profit is due to new customer business in particular with Akcea Therapeutics Ireland Limited and Northbrook Laboratories.

Echo Consulting Group Inc.

The company on the island of Puerto Rico (a US federal state) was acquired with the existing management team on 20/03/2018 and has been fully consolidated since March 2018. The consolidated results include revenues totalling EUR k 7,475 (previous year: EUR k 7,897) and adjusted EBITDA of EUR k 507 (previous year: EUR k 354). The newly acquired customer agreements with Moderna and Regeneron have stabilised business.

PharmaLex Italy S.R.L.

The Italian company was founded in 2017 and started operations in 2018. The consolidated results include revenues totalling EUR k 2,129 (previous year: EUR k 1,623) and adjusted EBITDA of EUR k 218 (previous year: EUR k 179). Even during the COVID19 pandemic the company grew strongly but the Group's services were subject to lower margins.

Vintura B.V.

The Dutch company was acquired with the existing management team on 02/12/2019 and has been fully consolidated since December 2019. The consolidated results include revenues totalling EUR k 9,543 (previous year: EUR k 8,278) and adjusted EBITDA of EUR k 2,699 (previous year: EUR k 1,732). The company benefited from the very strong demand for its services, in particular from the customers Janssen Pharmaceutica and AstraZeneca.

Complimed Limited

The British company was acquired with the existing management team on 11/12/2019 and has been fully consolidated since December 2019. On 01/07/2021 the businesses were incorporated into PharmaLex UK Services Limited. The consolidated results include revenues totalling EUR k 1,694 (previous year: EUR k 3,403) and adjusted EBITDA of EUR k 78 (previous year: EUR k 1,525).

Arbour Group

The US company (with subsidiaries in Dubai and the Philippines) was acquired with the existing management team on 24/01/2020 and has been fully consolidated since January 2020. The consolidated results include revenues totalling EUR k 10,509 (previous year: EUR k 9,546) and adjusted EBITDA of EUR k 2,596 (previous year: EUR k 2,082).

Regulis Limited

The British company was acquired with the existing management team on 30/06/2020 and has been fully consolidated since June 2020. On 01/07/2021 the businesses were incorporated into PharmaLex UK Services Limited. The consolidated results include revenues totalling EUR k 1,405 (previous year EUR k 2,064) and adjusted EBITDA totalling EUR k -166 (previous year: EUR k 334).

Biopharma Excellence GmbH

The German company was merged with PharmaLex GmbH on 01/01/2021.

Biostat Solutions LLC

The American company was acquired with the existing management team on 19/09/2020 and has been fully consolidated since September. The consolidated results include revenues totalling EUR k 5,053 (previous year: EUR k 1,456) and adjusted EBITDA of EUR k 1,630 (previous year: EUR k 448).

ERA

The German company with subsidiaries in Great Britain, Australia and the USA was acquired on 31/01/2021 and has been fully consolidated since January. The managing director left the company. ERA Consulting GmbH and the Australian subsidiary were merged with other group companies in 2021. The consolidated figures include for ERA Australia revenues totalling EUR k 1,110 and an adjusted EBITDA totalling EUR k 53, for ERA UK revenues totalling EUR k 1,749 and an EBITDA of EUR k 426, for ERA US revenues of EUR k 8 and an EBITDA of EUR k 5.

Archemin

The Belgian company was acquired with the existing management team on 01/03/2021 and has been fully consolidated since March. The group earnings include revenues of EUR k 2,195 and adjusted EBITDA of EUR k 554.

PharmaLexPty Ltd

The Australian company was acquired with the existing management team on 31/03/2021 and has been fully consolidated since March. The group earnings include revenues of EUR k 5,675 and adjusted EBITDA of EUR k 1,413.

Oblikue

The Spanish company was acquired with the existing management team on 27/05/2021 and has been fully consolidated since May. The group earnings include revenues of EUR k 1,623 and adjusted EBITDA of EUR k 446.

Osthus

The German company with an American subsidiary was acquired with the existing management team on 05/08/2021 and has been fully consolidated since August. The group earnings include revenues of EUR k 6,727 and adjusted EBITDA of EUR k 1,285.

Equalis

The Dutch company was acquired with the existing management team on 03/11/2021 and has been fully consolidated since November. The group earnings include revenues of EUR k 484 and adjusted EBITDA of EUR k 207.

Pharsolution

The Portuguese company with a local subsidiary was acquired with the existing management team on 18/11/2021 and has been fully consolidated since December. The group earnings include revenues of EUR k 448 and adjusted EBITDA of EUR k 130.

BlueReg

The French company with subsidiaries in the USA, Great Britain and Mauritius was acquired with the existing management team on 03/12/2021 and has been fully consolidated since December. The group earnings include revenues of EUR k 1,841 and adjusted EBITDA of EUR k 238.

PharmaSolutions

The German company with local subsidiaries was acquired with the existing management team on 08/12/2021 and has been fully consolidated since November. The group earnings include revenues of EUR k 448 and adjusted EBITDA of EUR k 130.

The financial performance of the PharmaLex group in the 2021 financial year is as follows:

	2021		2020		Veränderung	
	TEUR	%	TEUR	%	TEUR	%
Umsatzerlöse	154.972	99,65%	115.148	99,64%	39.824	34,58%
Bestandsveränderung	128	0,08%	121	0,10%	7	> 100%
Andere Aktivierte Eigenleistungen	419	0,27%	290	0,25%	129	44,33%
Gesamtleistung	155.518	100%	115.559	100%	39.959	35%
Materialaufwand	-16.467	-11%	-11.539	-10%	-4.928	43%
Rohertrag	139.051	89%	104.020	90%	35.031	34%
Personalaufwand	-90.697	-58%	-70.012	-61%	-20.685	30%
<i>davon aussergewöhnlich/nicht operativ</i>	-2.733	-2%	-2.053	-2%	-680	33%
sonstige betriebliche Erträge	4.196	3%	3.259	3%	937	29%
<i>davon aussergewöhnlich/nicht operativ</i>	2.629	2%	1.791	2%	838	47%
sonstige betriebliche Aufwendungen	-22.649	-15%	-15.509	-13%	-7.141	46%
<i>davon aussergewöhnlich/nicht operativ</i>	-3.812	-2%	-1.742	-2%	-2.070	119%
Gesamtkosten	-113.346	-73%	-85.520	-74%	-27.826	33%
EBITDA	29.901	19%	21.759	19%	8.142	37%
<i>EBITDA Marge (% Umsatzerlöse)</i>	19,3%		18,9%			
EBITDA cleared	33.817	22%	23.763	21%	10.054	42%
<i>EBITDA cleared Marge (% Umsatzerlöse)</i>	21,8%		20,6%			
Abschreibungen	-15.200	-10%	-11.342	-10%	-3.858	34%
EBIT	14.701	9%	10.417	9%	4.284	41%
Finanz- und Beteiligungsergebnis	-5.473	-4%	-3.706	-3%	-1.767	48%
Ergebnis vor Steuern	9.228	6%	6.711	6%	2.517	38%
Steuerergebnis	-6.326	-4%	-4.238	-4%	-2.088	49%
Konzernjahresergebnis vor Minderheiten	2.901	2%	2.473	2%	429	17%

The revenue situation and changes to the previous year are overall characterised by the initial consolidation of the newly acquired subsidiaries during the 2021 financial year.

The PharmaLex Group generated in the 2021 financial year overall performance (revenues, changes in inventory, other capitalised services) of EUR k 155,518 (previous year: EUR k 115,559). This represents growth of around 35 %. The revenue growth was achieved on the one hand through acquisitions and on the other additional revenue was generated mainly with customers from the European Union. Inventory changes at EUR k 128 remain virtually unchanged when compared with the previous year (EUR k 121).

The material costs exclusively contain expenses for purchased services. These are mainly incurred by including external specialists who are requested for customer orders with certain requirements profiles for staff often in the short-term. The purchased services also include fees that are passed on to customers as part of the services. The cost of materials rose from EUR k 11,539 in 2020 to EUR k 16,467 in 2021 and therefore slightly above the proportion of revenue growth. This is because as a result of the lack of resources after the COVID19 pandemic, projects increasingly utilised other staff.

The staff expenses totalled EUR k 90,697 (previous year: EUR k 70,012). The increase resulted on the one hand in a higher number of employees (+42 %) who work for the PharmaLex Group and on the other this was due to changes to the mix from acquisitions and recruitment for a large project in India.

The other operating income totalling EUR k 4,196 (previous year: EUR k 3,259) contain income from the dissolution of provisions, income from currency conversion and other income as well as extraordinary income of EUR k from the state subsidy related to the Paycheck Protection Program (PPP) in the USA.

Other operating expenses at EUR k 22,649 in 2021 rose significantly when compared with the previous year (EUR k 15,509). These cover the following expense types:

Sonstige Betriebliche Aufwendungen	2021	2020
	TEUR	TEUR
Raumkosten	4.407,9	3.708,9
EDV + Telekom	3.543,4	2.859,0
Integrationsaufwand	2.639,2	1.092,9
Rechts- und Beratungsaufwand	1.934,2	1.558,1
Fortbildung & Vermittlungsprovision	1.617,7	875,2
Fremdarbeiten	1.534,2	805,6
Transaktionsaufwand	1.276,3	764,5
Reisekosten/KFZ	1.191,1	433,9
Marketing & Repräsentation	983,2	667,2
Versicherung	941,6	728,7
Sonstige	2.580,6	2.014,7
Gesamt	22.649,3	15.508,7

The increase in other operating expenses is mainly due to higher acquisitions in Germany and elsewhere by the PharmaLex Group than in the previous year and the associated increase in the consolidation scope.

Group EBITDA is EUR k 29,901 (previous year: EUR 21,759 k). The increase in Group EBITDA whilst at the same time increasing the EBITDA margin was mainly positively influenced by the increase in revenues. There is a particular focus on the EBITDA before special effects (EBITDA Cleared) as a key economic instrument: this does not include non-operational earnings effects and extraordinary income and expenses. These effects result in particular from the organisational and infrastructure changes associated with the acquisitions. The EBITDA Cleared margin, which is calculated from the ratio of the EBITDA before special influences to the revenues, is also used as a relative indicator for the internal and external comparison of the operational profitability. The EBITDA adjusted for special influences for the past financial year was EUR k 33,817 (previous year: EUR 23,763 k). This results in an EBITDA margin before special influences of 21.8 % (previous year: 20.6 %).

Both the depreciation in the year under review and the financial results are significantly affected by the acquisitions in 2021 and the previous year. Of the depreciation totalling EUR k 15,237, EUR k 13,904 (previous year: EUR k 10,298) relates to depreciation on goodwill.

The negative financial results (interest expenses minus income) totalling EUR k 5,437 have risen by EUR k 1,731 compared with the previous year and mainly results from interest expenses relating to the liabilities towards financial institutions and shareholders that were used to finance the acquisitions that rose strongly in the year under review.

The group tax expense on income and profit covers the costs of ongoing taxes on income and profit as per the state tax determination regulations and tax rates. In addition, this includes revenues totalling EUR k 113 (previous year: EUR k 102) from the change in deferred taxes.

The taxes on profit in the year under review total EUR k 6,380 (previous year: EUR k 4,320) whereby expenses from modifying deferred taxes of EUR k 480 (previous year revenue from modifying deferred taxes EUR k 102) were recorded. The tax expenses do not include expenses from other periods (previous year: EUR k 208), which relate to tax considerations in previous years.

In the year under review Group profit for the year before minority interests was generated totalling EUR k 2,901 (previous year: EUR k 2,473).

- **Company's asset and financial situation**

The revenue and financial situation and changes to the previous year are overall characterised by the initial consolidation of the newly acquired subsidiaries during the 2021 financial year.

The consolidated balance sheet total increased from EUR k 139,455 in 2020 to EUR k 288,635 in 2021, which is characterised in particular by further investment and the expansion in business activities in international markets.

The assets of the PharmaLex Group are characterised by intangible assets totalling EUR k 187,387 (previous year: EUR k 82,301). The increase is from the acquisition activities in international markets in 2021 and the resulting goodwill. Goodwill totalling EUR k 113,681 was added in the year under review and EUR k 13,904 of planned depreciation on goodwill was recorded with an effect on net income. The tangible fixed assets and financial assets only have a minor role within the asset category. Advance payments of EUR k 3,798 (previous year: EUR k 1,047) relate to the ERP implementation planned in 2022.

The current assets are mostly comprised of liquid funds totalling EUR k 28,250 (corresponds to around 32 % of current assets) and trade receivables totalling EUR k 50,253 (corresponds to around 56 % of the current assets). The inventories totalling EUR k 957 are completely comprised of work in progress. There are also other assets totalling EUR k 9,397 (mainly tax receivables and loan receivables from companies formerly affiliated with Östhus GmbH).

Accruals increased from EUR k 2,343 to EUR k 8,076 in particular from the balance sheet record on write-downs that were paid to banks for acquisition activities when loans were taken from banks.

The consolidated equity ratio is around 4 % due to the purchase of subsidiaries using loans and the consequently higher balance sheet total (previous year around 10 %).

The provisions increased from EUR k 10,326 in 2021 to EUR k 17,752 in 2020. The increase results mainly from pension provisions as part of the new acquisitions and tax provisions due to a higher profit tax base as well as provisions for discount agreements with customers and provisions for variable salary elements.

The liability side of the balance sheet is mainly characterised by slightly higher liabilities to banks totalling EUR k 192,140 (previous year: EUR 90,619 k). Other loans were taken up to finance the domestic and international acquisitions in 2021 and are secured to 46 % with medium to long-term interest rate hedging.

The other liabilities include EUR k 2,763 for advance payments received (previous year: EUR k 2,106), EUR k 12,421 for trade liabilities (previous year: EUR k 2,834), and EUR k 48,079 other liabilities (previous year: EUR 18,908 k).

The investments in the year under review of EUR k 136,213 (previous year: EUR k 46,701) mainly relate to goodwill created on international acquisitions.

The Group recorded cash flow resulting from ongoing business activities of EUR k 16,932 (previous year: EUR 18,616 k). The investments in the year under review could therefore not be financed from the cash flow from ongoing business activities. The negative cash flow from investing activities totalling EUR k -116,816 (previous year: EUR k -49,625) mainly reflects acquisitions in domestic and international markets and therefore inflows into the consolidation scope and payments for the purchase of shares not controlled. In addition, the Group has generated cash flow from financing activities totalling EUR k 103,662 (previous year: EUR k 38,479) which is mainly due to the higher net loan uptake from banks (difference between taking on loans and repayments) by EUR k 101,648.

Cash as of 31 December 2021 totalled EUR k 28,250 and was therefore EUR k 4,562 higher than the previous year. The share of cash in the Group balance sheet total was 10 % (previous year: 17 %).

During the 2021 financial year the Group always had sufficient funds, borrowings and credit lines available to fulfil its financial obligations. In the 2021 financial year and up to the date of presenting the consolidated financial statements the Group has always been able to fulfil its financial obligations.

- **Non-financial performance indicators**

Human resources is a non-financial performance indicator that is of importance to understand the company's performance and situation. The employees are key to our success. It is therefore extremely important to convince the right talent with the right skills about the PharmaLex Group at the right time, to develop them and retain them at PharmaLex.

The number of employees in 2021 (measured using FTE = full-time equivalents) was on average 1,287 FTE (previous year: 909 FTE) and has increased by 42 % due to organic and inorganic growth. At the end of the financial year, the PharmaLex Group employed 1,498 people (previous year: 1,025). In 2021 70 % (previous year: 66 %) are female and 30 % (previous year: 34 %) male. Of the management positions 27 % (previous year: 55 %) were filled by women. The average employment term in the PharmaLex Group is 3.3 years (previous year: 4.8 years). In the previous year, new acquisitions were included pro rata temporis from the time of the initial consolidation whereas the inclusion for the year under review took place based on 12 months.

The employees were supported in finding a good balance between work and family objectives. This retains motivation and performance potential for longer and enables individual life planning to be implemented more easily. The PharmaLex Group therefore offers its employees various flexible work models: 14 % of employees worked part-time in 2021 (previous year: 19 %).

D. Forecast, Opportunities and Risk Report

- **Expected group development**

The growth strategy in 2021 remains unchanged over the previous year; it is based in Germany primarily on the principle of activating business. This concerns the direct increase in market penetration with the focus on generating profitable growth domestically. In addition, PharmaLex is an international service company relying on further geographical and product-related expansion to be able to offer its global customers comprehensive services and consulting. By means of additional corporate acquisitions, it aims to open up new markets and expand the range of services. This enables the company to offer customers turnkey solutions in medicine development and the complete outsourcing of product care.

Overall the PharmaLex Group believes it is well-established based on the growth strategy for future positive development including further increases in revenue, operational results and consolidated profit for the year.

As an internationally active company the PharmaLex Group is regularly confronted with risks and opportunities. Our aim is to only enter into risks if the associated opportunity gives rise to an appropriate contribution to the company value and risks to the existence of the company can be excluded with a likelihood approaching certainty. In general we define opportunities and risks as potential variances from the planned earnings.

- **Opportunities report**

According to a study by E&Y dated 10/01/2022, the global merger and acquisition activity in life sciences totalled USD 219 billion in 2021 compared with USD 159 billion in 2020, which was mainly due to medical technology (USD 112 billion). So the trends in 2020 continued in 2021 whereby the focus was on smaller bolt-on transactions. In 2022 patent processes will increase the pressure to use M&A and partnerships to achieve future income. The marketing dynamic means that buyers remain selective as the focus of deals moves to alliances and strategic partnerships.

Order manufacturing and the award of services to external companies will continue to be used more strongly as a result of the cost and risk advantages, better capacity management, higher flexibility and the ability to use third-party expertise and current technologies.

PharmaLex believes it will benefit from the increased outsourcing of services in the pharmaceutical industry. The reasons for this are the consistent internationalisation of the company, the focus on special services, quality, know-how, flexibility and on-time delivery. It is therefore possible to push out competing suppliers.

PharmaLex is also actively designing its corporate development through acquisitions in order to be able to actively participate in the outsourcing efforts, especially those of large pharmaceutical groups.

- Risk report

The business activities in Germany and beyond of the PharmaLex Group are exposed to a number of risks that occur as a matter of course from its business activities. The challenge is to utilise the opportunities that arise and limit the risks. In particular risks that could put the company's existence on the line must be systematically identified at the earliest possible stage, analysed, assessed, recorded and communicated so that they can be controlled.

In addition, the PharmaLex Group uses management reporting, comprising monthly reports, forecasts and planning including investment planning and cash flow management to monitor and control risks.

• Coronavirus pandemic (SARS-CoV-2)

The coronavirus pandemic and the comprehensive measures to manage it caused a global recession in 2020. The global economy has mostly recovered in the year under review but the upturn has not covered all regions and industries evenly and some of this growth has been hampered by supply chain problems and rising raw material costs. The pharmaceutical and biotech industry, which is almost completely independent of macroeconomic variations saw robust development even in this environment. Through its role in developing and producing vaccines and therapeutic drugs the industry also has a key role in overcoming the crisis and certain manufacturers invested significantly in building up the relevant production capacities. PharmaLex offers a number of services, in particular with regard to regulatory affairs and pharmaceutical vigilance that remained.

An enduring epidemic may be associated with sustained, significant, global falls in demand and unfavourable geo-political and macro-economic effects. Such developments could have consequences for the customers of PharmaLex and these may include falls in revenues, breaks in supply chains including the inability to purchase certain materials, increases in cost prices or extended development periods. This could consequentially negatively affect the results of PharmaLex.

After a pandemic lasting two years effective vaccines and drugs have been developed; in addition the omicron variant is significantly less severe so many countries have started to lift

the infection protection measures imposed as a result of the crisis. Therefore economic recovery is expected.

PharmaLex is well established in spite of the influences of the pandemic and will withstand the crisis well as the majority of the business can continue and good crisis management was established such that necessary actions were undertaken quickly resulting in maintaining the ability to make payments leading to good business results.

- **Macroeconomic risk**

2021 was primarily characterised by the global spread of the new Sars-CoV-2 virus and exposed the world to major political and economic challenges. Many industries were seriously affected by the measures undertaken to restrict infections in the production process and international trade. However, pharmaceutical companies are comparatively resistant to the crisis because medicines are required and therefore demanded independently of variations to economic growth.

- **Market risks**

The trend towards preferred supplier relationships also exists in the pharmaceutical industry. The companies in the PharmaLex Group attempt if possible to conclude service contracts over multiple years and build up long-term, trusting, cooperative relationships to the client; these usually result in regular follow-up orders. But in spite of increased customer relationships and long-term partnerships, there remains a residual risk that the customer will take a different decision in the following year due to external factors despite successful cooperation resulting in a lack of or cancellation of expected subsequent orders.

In addition, cost pressure from the client has increased. The PharmaLex Group will in future counter this risk by moving standardised activities to lower-cost locations (principle of the "extended workbench") and creating digitalisation and automation options.

The global pharmaceutical market will grow further in the coming years. The reasons are varied: an ageing and growing global population, rising incomes and the occurrence of new illnesses and disease patterns. This also brings with it the opportunity of placing the PharmaLex Group with customers in the marketplace.

The market consolidation and concentration will continue in the pharmaceutical industry. There is a risk that when important customers merge or are taken over, group management may decide to assign future orders to other service providers.

The escalation of the conflict between Russia and Ukraine resulting in military intervention in Ukraine has led to uncertainties about the development of the global economy. At the time the accounts were produced PharmaLex does not expect any effects from the conflict on our business and therefore revenue and earnings situation.

- **Political risks**

The amendment to the German Temporary Employees Act, which came into force on 01/04/2017, prohibits the provision of temporary employees for an undetermined period of time and envisages a maximum deployment period of 18 months with the same employment agency. In addition, equal pay applies after 9 months. The periods for equal pay and the maximum deployment period start when the law comes into force. This amendment has not forced any changes to the business model at PharmaLex - the maximum deployment time of temporary employees is only more than 18 months in exceptional circumstances. Therefore

the maximum deployment period has no significant influences on business. PharmaLex continues to pay employees market salaries.

The EU and United Kingdom were able to agree a trading and cooperation agreement (partnership agreement) for future trade relationships in December 2020. EU law no longer applies to cross-border services from the EU to Great Britain after Brexit. Brexit significantly damaged bilateral business relationships and in 2021 resulted in significantly higher costs for administration, logistics, customs, finance and IT modifications whilst at the same time lowering revenues. But PharmaLex with its subsidiaries in Great Britain is well prepared in this regard and will use local contracts with local staff to reduce as much as possible the scope of cross-border services.

In geo-political terms three crisis areas are causing tension. The escalation of the Russian-Ukrainian conflict and outbreak of war on 24 February 2022 also changed the economic situation in Germany. The global market prices for many raw materials rose drastically. Contrary to expectations the inflation rate did not fall at the start of the year. Rather consumer prices and in particular the costs of energy and food increased strongly. This reduces the purchasing power of many households and dampens the recovery of consumption growth. A range of sanctions were imposed on Russia and these adversely affect the trading of goods, production and exports. As a result of the war, production in Ukraine is lower. The delivery bottlenecks for the procurement of advance products are expected to worsen and the recovery of industrial added value will continue to be slow.

In addition, China is increasing the military pressure both on Taiwan and the South China Sea (where a number of territorial disputes are ongoing) and the general detachment of the Chinese from the US economy is accelerating. This development will over time have stagflationary consequences.

Iran is now on the way to becoming an atomic power. The country has managed to garner uranium at nearly weapons-grade level extremely quickly and the negotiations on a new or revised atomic treaty remain unsuccessful. As a consequence Israel is openly considering attacks on Iranian nuclear plants. If this should actually occur the stagflationary consequences would be worse than the geopolitical shocks from the oil industry in 1973 and 1979.

PharmaLex has a low number of employees and no customers in Ukraine and is therefore not directly affected by the war. Economic consequences will occur much more slowly. In particular, the energy price increases will have a negative effect on the global economy. The price increase will also heat up inflation which in the USA, Europe and other advanced economies is already at the highest level in a generation.

In addition, the defence budgets in Europe, the USA and some other countries are likely to increase to take into account the dangerous global situation. This will not reduce GDP growth but will reduce wealth as the funds used for defence cannot be utilised for consumption or investment in education, health or infrastructure.

- **Financial risks**

PharmaLex has already taken measures to manage strategic and operational risks. The various organisational measures allow us to identify, analyse, at least qualitatively assess the risks and undertake the necessary countermeasures or introduce other risk control measures. The aim of the Group's financial risk management is to secure the company's success against financial risks of all types. When managing financial instruments (bank loans, underlying and derivative financial instruments) PharmaLex follows a conservative risk policy.

At the current time PharmaLex has sufficient funds to secure its existence and ongoing development. During the year under review the company always had sufficient funds and borrowings available to fulfil its financial obligations. At the end of 2021 it had available to it unused credit lines totalling EUR k 154,000.

The positive liquidity situation does not give rise to any bottlenecks. The financial instruments existing in the company mainly include the receivables, liabilities and balances with banks.

Unpaid receivables are rare at PharmaLex. The debt default risk is reduced by setting credit limits, active collections and membership of Creditreform. The risks of default as well as the general loss and loan risk are adequately taken into account by the formation of value adjustments. Nevertheless individual - even larger - defaults on customer receivables cannot be excluded.

Liabilities are paid within the agreed payment terms.

Some of the company's business activities involve a foreign currency risk that is constantly monitored by financial management. Significant exchange rate changes in relevant currencies and their potential successful effects are investigated. No hedging instruments are concluded for currency transactions.

Various risks exist from the obligation to service PharmaLex borrowings. On the one hand, contractually agreed repayments must be made. The company must have appropriate liquidity available to fulfil its payment obligations at all times. As a result of the company's current financial situation (liquid funds on hand and positive cash flow from operational business activities) the liquidity risk is low.

PharmaLex is exposed to interest rate risks as part of its business activities. Interest rate change risks exist as a result of changes to the market interest rate. For liabilities with variable rates this can lead to interest rate payment variations and therefore have a positive or negative effect on earnings. The interest on borrowings is comprised of an interest rate margin and the EURIBOR. Interest rate hedges are mainly issued using derivative financial instruments. The purpose of using derivative financial instruments with regard to profit and payment flows is to reduce the fluctuations that are due to changes in interest rates. Interest rate cap transactions are concluded to hedge against a rise in the EURIBOR.

There is no risk for financing ongoing business and the planned acquisitions. PharmaLex has long-lasting and good relationships with its bank partners. The bank consortium agreement contains the usual indicators for financial covenants (loan terms) relating to debt coefficients and interest coverage that were modified during the year to the market environment and size of company. A risk for the maintenance of such covenant-based loans, exists fundamentally if business development is significantly below plan and therefore the profit and financial situation mean that it is no longer possible to comply with such terms. In such cases the ongoing existence of the loan depends on the extent to which the financing banks agree to the necessary adjustments. PharmaLex monitors compliance with the covenants on a quarterly basis. In the reporting year 2021 as in all previous years since the company was founded the covenants have been complied with. Compliance is also expected for 2022 based on the planning.

PharmaLex is exposed to interest rate risks as part of its business activities. They are mainly hedged against by using derivative financial instruments. The purpose of using derivative financial instruments with regard to profit and payment flows is to reduce the fluctuations that are due to changes in interest rates.

Fraud risks have grown clearly during the past few years. Criminals operate with falsified documents and stolen identities to initiate fraudulent payments or put pressure on employees to issue these. PharmaLex trains its employees regularly on new fraud attempts. In addition, larger payments are always checked by a second person whilst involving appropriate hierarchy levels.

As a result of the planning for the 2022 financial year PharmaLex assumes a positive ongoing forecast. The consequences of the ongoing coronavirus outbreak (SARS-CoV-2) could have

significant effects on the financial results of PharmaLex but the economic consequences cannot currently be quantified.

- **IT and data protection risks**

The company relies on a number of IT systems. Their non-availability, infringements of confidentiality or the manipulation of data for critical IT systems and applications can have a direct effect on handling customer orders. In order to minimise such risks, the PharmaLex Group has valid processes and systems to ensure IT security. These include stable and redundant IT systems, back-up processes, virus and access protection, encryption systems as well as integrated, group-wide standardised IT infrastructures and applications. The systems in use for information security are permanently checked and updated on an ongoing basis. Our employees are also trained on information and data protection regularly.

The PharmaLex Group counters data protection risks, supported by the appointed external data protection officer, with appropriate technical and organisational measures, in particular taking into account the provisions of the European General Data Protection Regulation (EU-GDPR) that has been in force since 25 May 2018. The data protection officer produces an annual report for management with regard to the Group's data protection compliance.

- **Personnel risks**

Qualified and committed employees are a decisive requirement for corporate success. Based on the analyses of future requirements, the PharmaLex Group develops appropriate measures for HR recruitment. Competitive salaries, comprehensive training and development options are important elements of the HR policy.

Currently the single largest risk is the recruitment and retention of qualified specialists and managers in order to achieve the planned growth over the coming years. All efforts are undertaken to be an attractive employer including for the future.

- **Risks from acquisitions**

The take-over and integration of other companies is accompanied by risks that could have a negative effect on the PharmaLex Group's assets, financial and earnings position. The structures of an acquired company must be integrated, legal contracts dissolved, marketing and processes unified. There is a risk here of losing important managers. The business process and relationships to customers and employees may suffer or change-of-control clauses are used. The integration process can be difficult or involve more time and expense than expected. In the business activities of newly acquired companies risks that the PharmaLex Group has not detected or considered significant may occur. Advantages that the PharmaLex Group hopes to realise from the purchase may not occur or not to the expected extent. Future acquisitions may represent a challenge to managing our business. We combat risks from acquisitions with detailed operational and organisational due diligence, integration plans as well as dedicated integration and project management, in order to undertake countermeasures at an early stage if there are variances from the expected development.

- **Forecast**

report

The Germany economy is characterised this year by two very different economic growth forces. On the one hand the full order books of industrial companies and the gradual normalisation of the coronavirus situation will provide a strong boost. On the other hand the consequences of the Russia-Ukraine war will dampen the economy due to significant increases in raw material prices, the economic sanctions against Russia, higher delivery

bottlenecks for raw materials and preliminary products as well as higher economic uncertainty. In order to take into account the uncertainties with regard to the progress of the war, two scenarios were considered for the planning. The base scenario assumes just a temporary increase in raw material prices, delivery bottlenecks and uncertainty. The alternative scenario sees this situation worsening before a gradual relaxation takes place from the middle of the year. Under these assumptions, the IFO Institut assumes in its spring forecast that the gross domestic product this year will only increase by 3.1 % (base scenario) and 2.2 % (alternative scenario) and is therefore noticeably less than previously expected. However other crisis scenarios are possible. In particular there could be an interruption to energy supplies from Russia that in the short term would cause much greater economic damage. In addition, since the start of March 2022 new coronavirus infections are again strong. Although as expected most coronavirus restrictions have stopped but it is possible that as a result of the high infection rate consumers act cautiously and the normalization of consumption is slower than assumed in this forecast. However private consumption may recover more quickly if the excess savings gathered during the crisis are spent and this has a positive effect on demand.

We currently assume that PharmaLex will see good development as a result of the robust environment of the pharmaceutical and biotech industry which is almost completely independent of macroeconomic variations. In addition, we expect the effects of the coronavirus pandemic to be overcome by PharmaLex as a result of the diversification of the portfolio. The earnings achieved in the first three months of the 2022 financial year meet the plans of PharmaLex for this period and were mainly unaffected by the economic effects of the coronavirus pandemic. A secure forecast on the effects of the COVID-19 pandemic on business development at PharmaLex during the 2022 financial year is difficult at this time. The company follows the effects on an ongoing basis as part of its risk management in order to undertake changes to the company and cost structure if necessary and implement precautions.

There are also other important trends that could affect the market environment in which PharmaLex operates in 2022:

According to Fortune Business Insights the global pharmaceutical vigilance market worth USD 6.28 billion in 2021 will grow to USD 14.85 billion in 2028, which would be an annual growth rate of 13.1 %. North America and in particular the United States will again make up the majority of the market. The development of safe and effective medicine requires, in addition to producing safe pre-clinical and clinical software, large volumes of high-quality data. As pharmaceutical vigilance enables companies to use data mining for critical decisions and risk assessments, it is clear why in the coming years this will be the number one trend in the pharmaceutical industry.

The "TOP 3 Trends Transforming Outlook of Pharmaceutical Industry In 2022" article by ampleLogic describes the revolution of healthcare through artificial intelligence through collecting health files, creating treatment plans, accelerating medical imaging, developing more cost-effective medicines and therapies and above all lowering operating costs. A recently published report forecasts that the global artificial intelligence in the pharmaceutical industry is expected to grow from USD 699.3 million in 2020 to USD 2,895.5 million in 2025 with a 32.9 % growth rate. It is expected that from 2025 the market will grow with an annual growth rate of 25.9 % and will reach USD 9,142.7 million in 2030. The combination of AI, big data and IoT technologies will create new innovations and other outstanding technologies such as cloud computing, augmented reality, virtual reality and blockchain will be used in the widespread digital transformation of the pharmaceutical industry.

ampleLogic expects a strong increase in the use of electronic prescriptions in 2022. Digital prescribing is an innovation that changes the health landscape to produce digital patient files which in turn improve patient results as it reduces the likelihood of human error when interpreting incorrect medicines. The concept of remote patient monitoring gained popularity during the COVID19 pandemic when people had to comply with movement restrictions and social distancing standards. RPM is slowly becoming the future provision of health services

for patients since it provides a range of medical devices such as implantable blood pressure cuffs, sensors and many other innovations so that doctors can access better management of patient data in real time.

According to ampleLogic, precision medicine is a medical model that proposes the modification of healthcare whereby the medical decisions, treatments, practices or products are modified to a sub-group of patients rather than a "one medicine for all" model. The adaptation of a drug to a particular diagnosis is the first step towards personalised medicine. But a patient's body may react badly to the medicine. Precision medicine tries to solve this problem by directing drug development to the established expertise about the patient. The aim is to develop and prescribe the medicine with the highest effectiveness and positive results for the patient. The investments of leading pharmaceutical companies in precision medicine will increase over the next five years, and according to the most recent report it is expected that the global market for precision medicine will grow between 2021 and 2027 at an annual growth rate of over 11.5 %.

These trends have the effect of focusing pharmaceutical companies on further lowering costs. It can be assumed that as a result of the progressive regulation over many years and expansion of the documentation duties, an increasing number of companies will attempt to transfer existing internal activities and processes to service providers in order to exploit economies of scale with external service providers as well as minimise fixed costs and financial risks.

Compared with the group planning in 2021, the revenue target was reached in the 2021 financial year; the planned adjusted EBITDA target was significantly exceeded due to the favourable cost developments. The internal organisational development measures undertaken and ongoing integration of new acquisitions into ongoing business operations will result in our current opinion in a positive development for PharmaLex in 2022. PharmaLex also plans further reductions in personnel deployment costs in 2022 by means of nearshoring. The Group planning shows positive development both for revenue and profitability: PharmaLex plans for 2022 - including as a result of acquisitions - compared with the year under review a significant, strong increase in revenue and - as a result of the planned organisational changes to further increase the efficiency of Group processes to secure the future growth path - a clear, strong, rising adjusted EBITDA. The acquisitions already undertaken at the start of 2022 will significantly change the size relationships within the group: compared with the original planning the planned revenue will increase by 30 % and the EBITDA by 20 %.

- **Sustainability**

Since it was founded, the corporate purpose of PharmaLex has been to support pharmaceutical companies and medical product manufacturers to apply for and maintain registrations and therefore to save or improve the lives of many people.

Corporate success is also measured by the satisfaction of the employees. to whom PharmaLex offers flexible working time models that enable them to combine career and family and promote work-life balance. With a comprehensive training program, PharmaLex also ensures that employees can take the responsibility for designing the increasing the digitalisation of business processes. In addition, equal opportunities for all employees are important to the company.

In addition to economic and social aspects, PharmaLex also sees protecting the environment as a highly valued management task. Whether through providing or using services and designing business processes. Through efficient IT, active support for using public transport on business trips, the option of working from home and other optimisation measures PharmaLex continuously strives to reduce the negative effects of business activities on the environment.

In the second half of 2020 there were workshops on the subject of employer engagement with the aim of recording all current corporate social responsibility (CSR) initiatives and ideas for developing future CSR activities. Building on this, in 2021 a CSR strategy was developed with a schedule and subsequent roll-out. PharmaLex has concluded a cooperation with Plan International (charitable organisation that supports projects for children in Africa, Asia and Latin America) and Treedom (trees will be planted in Columbia and Cameroon in the PharmaLex name).

Friedrichsdorf, 31 May 2022

Dr. Thomas Dobmeyer

- Managing director -

PharmaLex Holding GmbH
Friedrichsdorf
Consolidated balance sheet as at 31 December 2021

Assets	31/12/2021		31/12/2020	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Software created in-house	256.716,42		259.973,70	
2. Purchased concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	1.840.773,76		934.845,99	
3. Goodwill	181.491.421,93		80.059.352,00	
4. Advance payments	<u>3.788.022,46</u>		<u>1.046.822,20</u>	
		187.386.934,57		82.300.993,89
II. Tangible non-current assets				
1. Buildings on third-party land	8,00		9.438,00	
2. other assets, factory and office equipment	<u>3.140.886,78</u>		<u>1.151.158,38</u>	
		3.140.694,78		1.160.596,38
III. Financial assets				
1. Shares in affiliated companies	35.924,99		15.811,75	
2. Holdings	241.828,72		9.000,00	
3. Loans to affiliated companies	7.342,01		0,00	
4. Investment securities	<u>0,00</u>		<u>184.221,17</u>	
		285.095,72		209.032,92
		<u>180.812.725,05</u>		<u>83.670.623,19</u>
B. Current assets				
I. Inventories				
1. Work in progress	956.895,45		829.268,65	
2. Advance payments	<u>0,00</u>		<u>9.342,30</u>	
		956.895,45		838.610,95
II. Receivables and other assets				
1. Trade receivables	50.253.082,10		26.658.594,21	
2. Loans to affiliated companies	352.427,74		0,00	
3. Other assets	<u>9.396.510,16</u>		<u>1.818.295,87</u>	
		60.012.020,00		28.476.890,08
IV. Cash and credit balances at bank		<u>28.249.561,37</u>		<u>23.687.129,71</u>
		<u>89.219.476,82</u>		<u>53.002.630,74</u>
C. Prepayments and accrued income		<u>8.075.865,23</u>		<u>2.343.270,82</u>
D. Deferred tax assets		<u>527.473,13</u>		<u>438.064,26</u>

Liabilities	31/12/2021		31/12/2020	
	EUR	EUR	EUR	EUR
A. Equity				
I. Subscribed capital		81.833,00		81.833,00
II. Capital reserve		14.543.961,77		14.543.961,77
III. Equity difference from currency conversion		-40.589,62		-2.254.539,43
IV. Consolidated loss carried forward		-11.883.924,86		-5.781.950,06
V. Consolidated profit		3.178.017,48		2.284.220,94
VI. Shares not controlled		<u>5.162.386,13</u>		<u>4.923.011,74</u>
		11.061.673,90		13.776.537,96
B. Differential amount from capital consolidation		<u>367.732,75</u>		<u>0,00</u>
C. Provisions				
1. Provisions for pensions		979.778,04		239.431,98
2. Provisions for taxation		4.093.667,36		2.084.714,83
3. Other reserves		<u>12.678.988,60</u>		<u>8.022.085,80</u>
		17.752.433,00		10.326.232,41
D. Liabilities				
1. Amounts owed to banks		192.140.000,00		90.619.236,10
2. Advances received on orders		2.782.851,13		2.106.172,35
3. Trade liabilities		12.421.084,02		2.833.789,59
4. Liabilities to affiliated companies		148.938,95		0,00
5. Other liabilities		<u>48.079.260,57</u>		<u>18.908.045,93</u>
		255.553.185,67		114.467.243,97
E. Prepayments and accrued income		<u>3.833.720,15</u>		<u>759.792,13</u>
F. Deferred tax liabilities		<u>65.812,78</u>		<u>124.782,64</u>

PharmaLex Holding GmbH
Friedrichsdorf
Consolidated income statement
for the financial year from 01 January to 31 December 2021

	2021		2020	
	EUR	EUR	EUR	EUR
1. Revenues		154.971.564,82		115.147.813,64
2. Increase in inventory of uncompleted services		127.626,80		121.015,71
3. Other own work capitalised		418.755,57		290.142,19
4. Other operating income		4.195.682,14		3.258.703,93
		<u>159.713.629,33</u>		<u>118.817.675,47</u>
5. Cost of materials				
Costs for purchased services		-16.467.127,26		-11.538.826,64
6. Staff costs				
a) Wages and salaries	-77.985.200,73		-60.292.748,64	
b) Social security, other pension costs and support	-12.711.375,86		-9.718.812,25	
of which pension provisions: EUR -2,540,848.04 (prev. yr. EUR -1,947,848.32)				
		<u>-90.696.576,59</u>		<u>-70.011.560,89</u>
7. Depreciation and amortisation on intangible assets and tangible fixed assets				
		-15.199.624,07		-11.342.041,81
8. Other operating expenses		-22.649.341,28		-15.508.650,00
9. Other interest and similar income		65.729,06		40.088,16
10. Depreciation on financial assets		-36.321,80		0,00
11. Interest and similar expenses		-5.502.606,31		-3.745.883,63
12. Taxes on income and profit		<u>-6.266.248,53</u>		<u>-4.218.340,61</u>
13. Profit after taxes		<u>2.961.512,55</u>		<u>2.492.460,05</u>
14. Other taxes		-60.045,01		-19.781,50
15. Consolidated net profit		<u>2.901.467,54</u>		<u>2.472.678,55</u>
16. Consolidated loss on shares not controlled (prev. yr. Consolidated annual net profit)		276.549,93		-208.457,61
17. Consolidated profit		<u>3.178.017,47</u>		<u>2.264.220,94</u>

PharmaLex Holding GmbH

Consolidated appendix for the financial year from 01 January 2021 to 31 December 2021

II. General notes

PharmaLex Holding GmbH (hereinafter referred to as the "parent company") has its headquarters in Friedrichsdorf and is registered in Commercial Register B of the Bad Homburg v. d. Höhe regional court under number HRB 13021.

Pursuant to Section 290 of the German Commercial Code PharmaLex Holding GmbH is obligated to prepare consolidated financial statements. The consolidated financial statements of PharmaLex Holding GmbH, Friedrichsdorf, must be prepared according to the regulations of the German Commercial Code (HGB).

The consolidated financial statements have been drawn-up in Euro. The amounts in the consolidated notes are always shown as thousands of euros (EUR k).

The parent company's financial year is the calendar year.

The consolidated income statement was classified pursuant to the total cost method.

The valuation of the individual asset and debt items is presented in line with the commercial law regulations. There was no change to the accounting, valuation and consolidation methods compared to the previous year.

III. Consolidation scope

The consolidated financial statements cover all affiliated companies pursuant to Section 271 Para. 2 HGB over which the company can exercise a direct or indirect controlling interest under Section 290 Para. 1 and 2 HGB.

The equity shares for subsidiaries to which the minority interests are entitled are shown separately in the consolidated balance sheet.

The consolidated financial statements include in addition to PharmaLex Holding GmbH, the parent company, the following subsidiaries by way of full consolidation:

Company	Head office	Shares [%]	Ownership ratios
YES Medical Device Services GmbH	Friedrichsdorf, Germany	70.00	
PharmaLex India Private Ltd.	New Delhi, India	99.95	
PharmaLex UK Holding Ltd.	Birmingham, Great Britain	100.00	
PharmaLex UK Services Ltd.	Birmingham, Great Britain	100.00	indirect
PharmaLex Spain S.L.	Zaragoza, Spain	100.00	
PharmaLex US Corporation	Wilmington, USA	100.00	indirect
PLX Healthcare Services (Schweiz) AG	Basel, Switzerland	100.00	
PharmaLex Nordic ApS	Herlev, Denmark	100.00	
PharmaLex Norway AS	Oslo, Norway	100.00	indirect
PharmaLex Bulgaria, Jsc	Sofia, Bulgaria	100.00	
PharmaLex Denmark A/S	Hørsholm, Denmark	100.00	indirect
PharmaLex France SAS	Boulogne-Billancourt, France	100.00	
PharmaLex Belgium SA	Mont-Saint-Guibert, Belgium	100.00	
PharmaLex Sweden AB	Gothenburg, Sweden	100.00	
PharmaLex Italy S.R.L.	Milan, Italy	100.00	
PharmaLex Ireland Ltd.	Dublin, Ireland	100.00	
PharmaLex Puerto Rico Inc.	Caguas, Puerto Rico	100.00	indirect
PharmaLex Puerto Rico Holding Inc.	Wilmington, USA	80.00	indirect
PharmaLex US Holding, LLC	Wilmington, USA	100.00	

Vintura International Holding B.V.	Amsterdam, Netherlands	51.00	
Vintura B.V.	Amsterdam, Netherlands	100.00	indirect
PharmaLex UK Complimed Holding Ltd.	Kings Langley, Great Britain	100.00	indirect
Complimed Ltd.	Kings Langley, Great Britain	100.00	indirect
PharmaLex Arbour Holdings, LLC	Oakbrook Terrace, USA	100.00	
Arbour Group Intermediate LLC	Oakbrook Terrace, USA	92.00	indirect
Arbour Group LLC	Oakbrook Terrace, USA	100.00	indirect
Arbour International FZE	Jebel Ali Free Zone, Dubai	100.00	indirect
Arbour International Asia LLC	Wilmington, USA	100.00	indirect
Arbour International (Philippines) Inc.	Makati City, Philippines	100.00	indirect
Vintura UK Ltd.	Rushden, Great Britain	100.00	indirect
PharmaLex UK Regulis Holding Ltd.	Birmingham, Great Britain	100.00	indirect
Regulis Consulting Ltd.	Birmingham, Great Britain	100.00	indirect
Regulis Consulting Europe Ltd.	Birmingham, Great Britain	100.00	indirect
PharmaLex BSSI Holdings Inc.	Burlington, USA	100.00	
PharmaLex Biostat Holdings LLC	Burlington, USA	90.00	indirect
Biostat Solutions LLC	Frederick, USA	100.00	indirect
ERA Consulting (UK) Ltd.	Cambridge, Great Britain	100.00	indirect
ERA Consulting US LLC	McLean, USA	100.00	indirect
Archemin B.V.	Mechelen, Belgium	100.00	
PharmaLex Pty Ltd.	St. Leonards, Australia	72.08	
PharmaLex NZ Ltd.	New Plymouth, New Zealand	100.00	indirect
Oblikue Consulting S.L.U.	Barcelona, Spain	100.00	indirect
Brandwood Biomedical (Hongkong) Ltd. – Taiwan Branch	Taipei City, Taiwan. R.O.C.	100.00	indirect
AA-Med NZ Ltd.	New Plymouth, New Zealand	100.00	indirect
PharmaLex Mexico S.L.	Alcaldía Tlalpan, Mexico	33.00	
Osthus GmbH	Aachen, Germany	100.00	
Osthus Inc.	Melbourne, USA	100.00	indirect
Vintura GmbH	Munich, Germany	100.00	indirect
Equalis Strategy Modelling B.V.	The Hague, Netherlands	50.83	indirect
Pharsolution Lda.	Estoril, Portugal	100.00	
Pharma Solutions International GmbH	Kaiserslautern, Germany	70.00	
BlueReg Group SAS	Valbonne, France	100.00	
BlueReg PharmaConsult SAS	Les Deux Arcs, France	100.00	indirect
Pharma Blue SAS	Les Deux Arcs, France	100.00	indirect
BlueReg Pharma Consulting Inc.	Wilmington, USA	100.00	indirect
BlueReg Pharma Consulting Ltd.	London, Great Britain	100.00	indirect
BlueReg Pharma Consulting Mauritius Ltd.	Ébène Cybercity, Mauritius	100.00	indirect
MA Provider S.R.L.	Milan, Italy	100.00	indirect
3P Solution S.R.L.A.	Milan, Italy	100.00	indirect
MAPCOM Consulting	Milan, Italy	100.00	indirect
PharmaLex Healthcare Services China Co. Ltd.	Shanghai, PR China	30.00	
PharmaLex Hongkong Co. Ltd.	Hong Kong, PR China	30.00	indirect

Pursuant to Section 296 Para. 2 of the German Commercial Code (HGB), the following subsidiaries were not included as they are of lower importance for depicting the group's net assets, financial and earnings situation:

Company	Head office	Shares [%]
The Biosimilar Group GmbH	Mannheim, Germany	100
AA-Med Pty Ltd.	St. Leonards, Australia	100
AMPDR Lda.	Estoril, Portugal	100
PharmaLex BCKC (Hongkong) Ltd.	Hong Kong, PR China	100
ERA Consulting (Australia) Pty Ltd	Toowong, Australia	100
Nandoza Lda.	Estoril, Portugal	100
Pharvigilance Lda.	Estoril, Portugal	100
Solufarma Lda.	Estoril, Portugal	100
Xelapharma Lda.	Estoril, Portugal	100
Regulis Consulting Europe Limited	Birmingham, Great Britain	100

Pursuant to Section 311 Para. 2 of the German Commercial Code (HGB), the following affiliated company was not included as it is of lower importance for depicting the group's net assets, financial and earnings situation:

Company	Head office	Share of capital [%]
PharmaLex Healthcare Services China Co. Ltd.	Shanghai, PR China	30

The effects from the initial inclusion of subsidiary companies included in the consolidated financial statements for the first time on the group's earnings situation is shown below:

in EUR k	Consolidated IS	Of which from changes to the consolidation scope	Share of consolidated IS
	2021	2021	2021
Revenues	154,972	18,459	11.9 %
Cost of materials	16,467	3,252	19.8%
Staffing costs	90,697	8,655	9.5%
Depreciation on property, plant and equipment	15,200	401	2.6%
Other operating expenses	22,649	2,769	12.3%
Other operating income	4,196	121	2.9%
Taxes on income and revenue	6,266	1,588	25.3%

In the 2021 financial year, the following shares were acquired in subsidiaries or founded:

- ERA Group (initial consolidation as of 01 January 2021):
 - o ERA Consulting GmbH, Walsrode/Germany
 - o ERA Consulting Australia Group Pty Ltd, Toowong, Australia
- Archemin B.V., Mechelen/Belgium (initial consolidation to 01 March 2021)
- Brandwood CKC Pty Ltd., St. Leonards/Australia (initial consolidation to 31 March 2021)
- Oblikue Consulting S.L.U., Barcelona/Spain (initial consolidation to 31 May 2021)
- Osthus Group (initial consolidation to 01 August 2021):
 - o Osthus GmbH, Aachen/Germany

- Osthus Inc., Melbourne/USA
- Equalis Strategy Modelling B.V., The Hague/Netherlands (initial consolidation to 01 November 2021)
- Pharsolution Lda., Estoril/Portugal (initial consolidation to 01 November 2021)
 - AMPDR Lda., Estoril, Portugal
 - Nandoza Lda., Estoril, Portugal
 - Pharvigilance Lda., Estoril, Portugal
 - Solufarma Lda., Estoril, Portugal
 - Xelapharma Lda., Estoril, Portugal
- Pharma Solutions International GmbH, Kaiserslautern/Germany (initial consolidation to 01 December 2021)
- BlueReg Group (initial consolidation to 01 December 2021):
 - BlueReg Group SAS, Valbonne/France
 - BlueReg Pharma Consulting Ltd., London/England
 - BlueReg Pharma Consulting Inc., Wilmington/USA
 - BlueReg Pharma Consulting Mauritius Ltd., Ébène Cybercity/Mauritius
 - Pharma Blue SAS, Les Deux Arcs/France
- MA Provider Group (initial consolidation to 31 December 2021):
 - MAPCOM Consulting, Milan/Italy
 - MA Provider S.R.L., Milan/Italy
 - 3P Solution S.R.L.A., Milan/Italy
- AA-Med Pty Ltd., St. Leonards, Australia
- PharmaLex BCKC (Hongkong) Ltd., Hong Kong, PR China

The effects from the initial inclusion of subsidiary companies in the consolidated financial statements for the first time on the group's asset position is shown below:

in EUR k	Consolidated balance sheet	Of which from changes to the consolidation scope	Share of consolidated IS
	2021	2021	2021
Trade receivables	50,253	16,436	32.7%
Trade liabilities	12,421	3,439	27.7%
Other liabilities	48,079	3,789	7.9%

IV. Key reporting date

The consolidated financial statements were prepared for the key date of PharmaLex Holding GmbH (31 December 2021).

The annual accounts of the subsidiary included in the consolidated financial statements were also reported to the key date for the consolidated financial statements.

V. Consolidation principles

The assets and debts of the companies included in the consolidated financial statements are valued using a common approach in line with the valuation regulations applicable for the parent company. Existing accounting options are fundamentally exercised in a common manner. If international subsidiaries apply local accounting standards that vary from the HGB, they are modified to the group's common standards if the differences are significant.

The capital is consolidated using the new valuation method by offsetting the purchase values of the holdings with the pro rata capital incurred at the time of purchase. For this the capital is applied at the fair value amount corresponding to the assets, debts, accruals, deferrals and special items to be included in the consolidated financial statements at the time of acquisition, which must be demonstrated at the time relevant for the offsetting. The differences in assets resulting from the capital consolidation are handled pursuant to Sections 301 Para. 3, 309 HGB.

Internal revenues, expenses and income as well as receivables and liabilities between the companies in the consolidation scope are offset against each other. The resulting offsetting differences are treated as having an effect on the financial results.

A balancing item for the shares not controlled totalling their proportion in the group equity is shown separately for shares in subsidiaries included in the consolidated accounts that do not belong to the parent company. Appropriate income statement shares in the relevant profit for the year are offset directly.

VI. Currency conversion

Pursuant to Section 256a HGB, all assets and debts in other currencies in the domestic financial statements are converted at the average cash exchange rate on the key date. Assets and debts with an outstanding term of less than one year are converted without taking into account the purchase costs or the realisation and imparity principle. The differences from this conversion are stated separately in the consolidated income statement pursuant to Section 277 Para. 5 S. 2 HGB.

The consolidated financial statements are prepared in euro (EUR). Whilst complying with Section 308a HGB, with the exception of capital, which is converted at the historic rate in euros, all balance sheet items are converted at the relevant average cash exchange rate in euros. The items in the income statement were converted using the average rate. The resulting differences are shown separately in capital as the "capital difference from currency conversion". The conversion difference arising in the consolidated financial statements from this conversion is shown separately under the item "equity difference from currency conversions" within the statement of changes in equity pursuant to Section 308a S. 3 HGB.

Effects on net income arising from currency conversions pursuant to Section 256a HGB that are included in the annual accounts of subsidiary companies and the conversion differences based on currency conversions pursuant to Section 308a HGB between the receivables and liabilities in other currencies from the subsidiary companies included in the consolidated financial statements are handled as having an effect on net income within the debt consolidation.

VII. Accounting policies

Purchased **intangible assets** are listed at purchase prices and if subject to wear are reduced linearly by depreciation over a period of 3 to 10 years.

The option to report **intangible assets created in-house** (Section 248 Para. 2 Sentence 1 HGB) in fixed assets was used. The valuation is at production costs, i.e. the expenses incurred for the development (Section 255

Para. 2A HGB - German Commercial Code); this matches the direct staffing costs. The items are written off using the usual usage period of four to seven years.

The **goodwill** shown in the consolidated balance sheet contains goodwill shown at the individual accounts level created as part of the asset deals implemented and is shown with a book value totalling EUR k 6,001. Asset-side differences totalling EUR k 114,196 arise from the subsidiary companies at the time of the initial consolidation in the year under review as defined in Section 301 Para. 3 HGB. There was no change to the goodwill in the year under review from subsequent price changes (earn-outs) (previous year: EUR 890 k).

Depreciation of goodwill is shown as linear over a period of 8 to 10 years across the group. The operational usage term is based on the assessment of the income return flows over time based on the identified components of goodwill. These represent in particular regular customers and the "know-how" (employees, processes) that was taken over on purchase of the business. The earnings potential of these components is expected to be exhausted over the stipulated periods.

Advance payments made on intangible assets cover advance payments for intangible assets purchased and development expenses for intangible assets to be created as part of the ERP implementation and these are valued at acquisition or production costs. The production costs cover direct staffing costs.

The **tangible assets** are valued at purchase or manufacturing costs minus planned linear depreciation. The basis for the planned depreciation was the expected usage term of the relevant asset.

The depreciation of inflows into tangible assets was undertaken as a matter of principle pro rata temporis. If the fair values of individual assets are below their book values, in addition extraordinary depreciation is applied with a permanent effect in terms of lower value.

Low-value assets (purchase or production costs up to EUR 800 (previous year: EUR 800.00) were depreciated in full in the year of purchase pursuant to Section 253 Para. 3 HGB.

For the **financial assets**, the shares of the associated (not consolidated) companies, the holdings and long-term securities are valued at the purchase costs or, if there is an ongoing value reduction, the lower present values. In the event of discontinuance of the reasons for depreciation then appropriate write-ups are undertaken.

The **inventories** are applied at the purchase or manufacturing costs or the lower present value. In addition to the individual production and material costs, appropriate parts of the necessary production and material overheads are included in the production costs. The principle of loss-free valuation was taken into account, i.e. if the expected sales prices minus the costs incurred up to the sale resulted in a lower fair value, appropriate lower valuations were made.

Receivables and other assets are recognised at their nominal value or at their lower fair value on the balance sheet date. Recognizable individual risks are taken into account using flat-rate value adjustments. To cover the general credit risk, a flat-rate value adjustment was formed on the net receivables not corrected individually.

Liquid funds are applied at the nominal value on the key balance sheet date.

The **accruals and deferrals** show expenses and income before the key balance sheet date that represent expenses or income for a particular period after the key balance sheet date.

The **subscribed capital** was recorded using the nominal amount.

Pension provisions after the end of work relationships are calculated using actuarial calculations based on biometric likelihoods (mortality tables Heubeck 2018 G) using the projected unit credit method. The actuarial valuation is based on assumptions on discount rates, future wage and salary increases, mortality rates, future pension increases and expected staff turnover. The mortality rate is based on publicly available mortality tables. The future increases in wages and salaries as well as pension increases are based on the expected future inflation rate in the relevant country.

The **tax and other reserves** are recorded at the level of the fulfilment amount using reasonable commercial assessment. They were formed in the amount that the PharmaLex Group could claim and is required to cover the risks.

Liabilities are listed at the fulfilment amount.

Deferred taxes pursuant to Sections 300, 308 and 274 HGB

Deferred taxes are calculated pursuant to Section 274 HGB using the concept of the balance sheet liability method. If there are consequently temporary differences from the different treatment of particular balance sheet items between the commercial law and tax annual accounts, these lead to deferred tax assets and liabilities (so-called "temporary concept"). In addition, deferred taxes may be formed on future tax reduction claims.

Deferred tax assets on temporary differences that can be deducted and tax reduction claims can only be reported as assets in the scope to which it is expected that they are covered in future periods by adequate available temporary liability differences. In addition, existing deferred tax assets can only be reported as assets if in the following five years adequate tax income can be used.

If at the level of the individual subsidiaries included in the consolidated financial statements there are differences between the commercial law valuation methods for assets, debts, accruals and deferrals and their tax valuation methods that are expected to reduce in later financial years, resulting overall in a tax reduction on the key balance sheet date (deferred tax assets), the option to report deferred tax assets pursuant to Sections 300, 308 in combination with Section 274 Para. 1 S. 2 HGB was used.

A tax charge arising at the level of the individual subsidiary included in the consolidated financial statements is reported in the consolidated balance sheet as a deferred tax liability.

Deferred taxes pursuant to Section 306 HGB

If consolidation measures result in differences between the commercial law valuation methods for assets, debts, accruals or deferrals and their tax valuation methods and these differences are expected to reduce in later financial years, a total tax charge is reported as deferred tax liabilities and a total resulting tax reduction is reported as deferred tax assets in the consolidated balance sheet. Differences from the initial use of a difference remaining under Section 301 Para. 3 HGB from the capital consolidation remain unconsidered.

Deferred taxes are valued on the key balance sheet date on the basis of combined, company-individual income tax rates that are expected to apply when the differences are removed. Deferred taxes resulting from the valuation differences associated with eliminating intermediate profit (Section 304 HGB) are valued with the combined income tax rate of the subsidiary receiving the delivery.

The deferred taxes under Section 300, 308 in conjunction with Section 274 HGB and pursuant to Section 306 HGB are calculated with the company-individual tax rates at the time of the expected removal of the differences. The tax rates used in the consolidated scope are between 10 % and 30 %.

VIII. Notes to the consolidated balance sheet

The development of the individual **fixed asset items** and details of the depreciation in the financial year are presented in the fixed asset schedule.

The **other assets** contain anticipatory active accruals and deferrals totalling EUR k 3,096 (previous year: EUR k 113) for due diligence services from external service companies in advance of planned transactions, the purchase of companies, in the following financial year. The targets are companies that were purchased both by international subsidiaries and PharmaLex GmbH and for which the costs were charged to or shown as assets at PharmaLex GmbH. It is currently believed that the transactions will occur.

The **other assets** contain assets valued at the fair market value totalling EUR k 83 from interest cap transactions (InterestCaps). The nominal values for the interest caps are EUR k 214. The depreciation for the 2021 financial year is EUR k 36. The interest rate caps with banks have a term of 1 year to 4 years.

With the exception of the deposits shown as other assets totalling EUR k 756 (previous year: EUR k 372) the **receivables and other assets** have a remaining term of less than a year.

The **accruals** mainly contain write-downs totalling EUR k 6,047 (previous year: EUR k 1,510) that were paid to take loans from banks and are distributed over the loan term.

Deferred taxes result, if they do not already arise from the individual financial statements of the consolidated companies from the adjustment to commercial balance sheet I to accounting and valuation methods used across the group in the commercial balance sheet II (HB II) with the relevant subsidiaries and beyond that from the capital and debt consolidation undertaken at the group level. Deferred taxes are formed on the differences

in the other provisions, other liabilities and tangible assets, to the extent that they are expected to decrease in future financial years. In addition, deferred taxes are formed on Group consolidation postings and the accounting in the commercial balance sheet II for intangible assets created in-house.

The deferred taxes showed the following changes in the year under review:

in EUR k	01/01/2021	Change	31/12/2021
Deferred tax assets	438	89	527
Deferred tax liabilities	125	-59	66
Total	313	148	461

We refer to the consolidated equity movement schedule for the development of the **Group equity**. The other changes in the group equity generated totalling EUR k -7,563 and minority capital totalling EUR k -146 relate to changes in group equity that do not affect income associated with increasing shares in subsidiaries without changing the status or increasing the capital of subsidiaries. There is no dividend volume available to shareholders on the key balance sheet date. The balancing items for shares not controlled include shares of shareholders that are not part of the Group in equity (including currency conversion differences) and on the profit for the year for consolidated subsidiaries.

The valuation of the **pension obligations** is based on the mortality tables 2018 G published by Prof. Dr. Klaus Heubeck using the following assumptions:

- Discount rate: 1.87 % p.a.
- Salary dynamic: 0.00 % to 9.10 % p.a.
- Pension trend: 1 % p.a.
- Pension age for calculation purposes: 65 years

As a result of the modified valuation of ongoing pensions due to the introduction of the Accounting Law Modernization Act - BilMoG (Art. 67 EGHGB), additions were required to the provisions. The increased amount added was collected over 15 years; as of 31/12/2021 the under-coverage was EUR k 4.

The pension provision was calculated on the key date with a discount rate of 1.87 % (when applying the 10-year average). The difference as defined by Section 253 Para. 6 of the German Commercial Code (compared with the interest rate of 1.35 %) (when applying the 7-year average) on the key date totalled EUR k 56 according to the actuarial assessment. This is below the so-called dividend lock.

The following values were calculated to offset the pension provision with coverage assets that can be offset:

Offsetting assets and debts	EUR
Debt fulfilment amount	388,379.00
Purchase costs for the offset assets	166,927.87
Fair market value of the offset assets	224,057.28
Offset costs (interest costs discounting pension provision) offset)	7,905.00
Offset income (income from VermG for offsetting as per Section 246 Para. 2 HGB)	0.00

As part of the initial consolidation, when implementing the offsetting under Section 301 Paragraph 1 Sentence 1 HGB **negative differences** were produced at the ERA and Osthus Group levels totalling EUR k 1,595 and EUR k 178. The negative differences created are mainly due to the expected loss situation in the next two years and therefore the negative differences are debt capital in nature. With this background in 2021 a corresponding dissolution affecting profit was made totalling EUR k 1,317 for ERA and EUR k 88 for the Osthus Group.

The **other provisions** mainly contain provisions relating to human resources, for unpaid invoices, discount agreements with customers and annual accounting and auditing costs. The valuation of the provisions for employee-financed working time accounts was undertaken in line with the assets' value development of the congruent re-coverage insurance applying Section 253 Para. 1 Sentence 3 HGB (pension provision linked with securities). The provision for the employee credit time balances is therefore set at the current value of the recoverage insurance policy. This time value is calculated from the coverage capital of the insurance policy plus

excesses collected from interest. The credit balance from the recoverage insurance policy is exclusively used to secure the employees' working time balances and creditors have no access to these. It is therefore coverage as defined by Section 246 Para. 2 Sentence 2 HGB that is offset with the related staffing provisions for time balances.

The fulfilment amount from the obligations from working time accounts at the key balance sheet date is EUR k 971, the present value of the recoverage insurance policy is EUR k 971, the accumulated excess parts total EUR k 31 and the purchase costs of the recoverage insurance policy total EUR k 940. In the 2021 financial year the income from the interest on the coverage capital is EUR k 15 which was offset against the expenses from the addition to the congruent balance sheet obligation of the same amount.

The group's **liabilities** have the following terms:

		Outstanding terms			
		Total	up to 1 year	2 to 5 years	more than 5 years
		EUR k	EUR k	EUR k	EUR k
Liabilities towards financial institutions	31/12/2021	192,140	31,912	160,228	0
	Previous year	90,619	15,424	75,195	0
Advances received on orders	31/12/2021	2,763	2,763	0	0
	Previous year	2,106	2,106	0	0
Trade liabilities	31/12/2021	12,421	12,421	0	0
	Previous year	2,834	2,834	0	0
Other liabilities	31/12/2021	48,079	41,079	7,000	0
	Previous year	18,908	17,385	1,523	0
Total liabilities	31/12/2021	255,403	88,175	167,228	0
	Previous year	114,467	37,749	76,718	0

The **liabilities to banks** totalling EUR k 192,140 are secured by pledging all of the company's business shares in PharmaLex Holding GmbH to PharmaLex GmbH through guarantees from the parent company and all significant subsidiary companies by globally assigning all receivables, claims and rights of PharmaLex GmbH and pledging all of the PharmaLex GmbH bank accounts. As a result of the positive net asset, financial and earnings situation there is no expectation that this will be used.

The other **operating liabilities** include tax liabilities totalling EUR k 3,669 (previous year: EUR k 2,538) and social security at EUR k 1,961 (previous year: EUR k 1,383). The shareholder liabilities in the financial year are EUR k 8,537 (previous year: EUR 6,923 k).

IX. Notes on the consolidated income statement

The **revenues** generated are divided up over the geographical markets as follows:

in EUR k	2021		2020	
Region DACH ¹⁾	43,573	28%	32,415	28%
Europe (excluding DACH)	60,904	39%	47,496	41%
Global (excluding Europe)	50,495	33%	35,237	31%
Total	154,972	100%	115,148	100%

¹⁾ DACH = Germany, Austria and Switzerland

The classification of revenues by activity areas is not provided because the activity areas do not vary significantly.

The **other services capitalised** from the year under review totalled EUR k 419 (previous year: EUR k 290) and arise from the involvement of employees in developing purchased software. The services capitalised cover the employees direct costs.

The **other operating income** includes income from other periods from the liquidation of provisions and income from the reduction in the flat-rate value adjustment on claims totalling EUR k 293 (previous year: EUR 614 k). In addition, income from the dissolution of the negative differences created during the initial consolidation is included totalling EUR k 1,405 (previous year: EUR 0 k) and subsidies of EUR 1,222 k (previous year: EUR 1,789 k).

The **other operating expenses** are expenses of an extraordinary size as a result of integration and acquisition activities and financing these totalling EUR k 3,916 (previous year: EUR k 1,857).

The other operating income includes **income from currency conversion** totalling EUR k 217 (previous year: EUR k 370). The other operating expenses contain **expenses from currency conversion** totalling EUR k 476 (previous year: EUR 415 k).

The **depreciation on intangible assets and property and equipment** includes planned depreciation on goodwill of EUR k 13,902 (previous year: EUR k 10,298).

The **taxes on income and revenue** include expenses from other periods totalling EUR 192 k (previous year: EUR k 0). There were no tax payments from other periods (previous year: EUR k 208).

The **taxes on income and profit** covers the costs of ongoing taxes on income and profit as per the state tax determination regulations and tax rates. In addition, taxes on income and revenue include revenue balanced against deferred taxes in the financial year totalling EUR k 113 (previous year: EUR k 102) that was calculated taking into account currency conversion.

X. Notes on the cash flow statement

The cash flow statement was produced pursuant to DRS 21.

The financial funds totalling EUR k 28,250 correspond to the "cash and credit balances at bank" item. There were no liabilities to banks due at any time on the key balance sheet date.

XI. Other financial commitments and contingent liabilities

The following liability relationships exist on the key balance sheet date from warranty agreements that the Group has entered into as defined by Section 251 HGB:

There is a guarantee from PharmaLex GmbH in favour of Enterprise Ireland and its sister agency Industrial Development Agency (Ireland) totalling EUR k 100 with a time limit up to 30 September 2022 to secure subsidies granted. The likelihood of utilisation at the time the consolidated financial statements were produced is estimated as low as no disadvantageous change in the net asset, financial and earnings situation of PharmaLex Ireland Ltd. is expected.

Other financial obligations that are not liability relationships as defined by Section 251 HGB (German Commercial Code) exist from leasing agreements for vehicles and equipment and from rental agreements on office and storage facilities as well as software licenses and maintenance agreements and other financial obligations. In addition, on the key balance sheet date there is an order obligation for the purchase of intangible assets.

The total amount of other financial obligations on the key balance sheet date is as follows:

in EUR k	Less than 1 year	1-5 years	more than 5 years	Total
Leasing agreements	424	944	0	1,368
Rental contracts	4,238	8,083	3,709	16,030
Software licences	1,075	0	0	1,075
Software maintenance agreements	45	0	0	45
Procurement Obligations	139	0	0	139
Subsidies that are to be repaid	573	61	0	634
Total amount	6,494	9,088	3,709	19,291

Derivative financial instruments

The company is exposed to interest rate risks as part of its business activities. They are mainly hedged against by using derivative financial instruments. The purpose of using derivative financial instruments with regard to profit and payment flows is to reduce the fluctuations that are due to changes in interest rates.

To hedge the interest rate risks, the company has concluded interest hedging transactions with nominal purchase amounts of EUR k 65,338. The premiums total EUR k 214 and are shown in the other assets. The fair market value on the key date is EUR k 83.

If the fair values of the individual interest limitation transactions are below their book values, extraordinary depreciation is applied pursuant to Section 253 Para. 4 HGB and this is shown as interest expenditure.

The present values of the interest limitation transactions (CAPs) are valued individually on the basis of current money market interest rates and the interest structure curve on the key balance sheet date compared with the agreed CAP rate whilst taking the term into account.

The present values of the derivative financial instruments are determined and valued using common valuation methods whilst taking into account the market data on the key valuation date (market values) by the relevant bank. On the key balance sheet date the ongoing purchase costs of the CAPs are depreciated to the present values stated above.

Research and development costs

The total amount of the research and development costs for the financial year is EUR k 419, of which EUR k 419 relates to self-created intangible assets or advance payments made.

Transactions with affiliated companies and persons

Affiliated persons or companies are defined as people and companies that have the opportunity to control PharmaLex Holding GmbH and its consolidated scope or exercise a key influence on its financial or business policy. When determining the key influence that affiliated companies and people have on the financial and business policy, existing controlling relationships were taken into account.

The group of affiliated companies includes the shareholders of the parent company and subsidiaries of PharmaLex Holding GmbH and PharmaLex GmbH that are not included in the consolidated financial statements pursuant to Section 296 Para. 2 HGB.

In addition, due to their key influence, senior management members from the stated companies and their close relatives are affiliated people in key positions as defined by Section 314 Para. 1 No. 13 HGB.

A business transaction with affiliated companies and persons covers the transfer of resources, services or obligations between the reporting company and an affiliated company or person, no matter whether a fee was invoiced or not.

In the year under review there were no transactions with affiliated companies and persons that were not agreed at normal market conditions.

Board of Management

Dr. Thomas Dobmeyer, director for administration, sales and finance, Frankfurt am Main

Use was made of the protection regulations in Section 314 Para. 3 HGB in conjunction with 286 Para. 4 HGB on stating directors' remuneration for the consolidated notes.

Employees

During the 2021 financial year, there were on average 1,358 employees. This is divided up as follows:

Region	2021	2020
DACH ¹⁾	314	298
Europe (excluding DACH)	531	426
Global (excluding Europe)	513	301

¹⁾ DACH = Germany, Austria and Switzerland

Consolidated accounts auditor fees

The total fee calculated for the 2021 financial year for the auditors of the consolidated financial statements, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Eschborn, is divided up as follows:

Type of service	2021 In EUR k	2020 in EUR k
Auditing services	97	90
Other certification services	4	3
Tax consultancy services	0	0
Other services	413	311
Total fee	514	404

The other services mainly relate to due diligence services during acquisition activities.

Group affiliation

The parent company prepares consolidated financial statements for the company's smallest and largest scope. These were published in the electronic Federal Gazette.

Proposal for the appropriation of net profit

The parent company's management proposes to carry forward the parent's company's loss for the year to a new account.

XII. Supplementary report

After the key balance sheet date 70 % of the shares in Ascent Development Services Inc., Japan, and 90.95 % in PharmaLex UK BidCo Ltd., Great Britain, were directly purchased. Indirectly 100 % of the shares of PhlexGlobal Group, Great Britain were purchased via PharmaLex UK BidCo Ltd. And 100 % of the shares in EBMA Consulting S.R.L., Italy via PharmaLex Italy S.R.L. PharmaLex GmbH provided a loan of EUR k 100,000 to PharmaLex UK BidCo Ltd for the indirect purchase of the PhlexGlobal Group. To finance further expansion funds were provided by taking on new loans totalling EUR k 125,000 and additions were made to the capital reserves by shareholders totalling EUR k 59,950. The acquisitions took place in January and February 2022. In addition, the Group indirectly purchased 70.0 % of CEPTTELIS, Paris, France on 28 April 2022 at a purchase price of EUR k 8,400. As part of this transaction, the group granted a loan to minority shareholders totalling EUR k 360 with an overall term of 7 years and interest charged at 4.5 % p.a.

The balance sheet total increased accordingly due to the acquisitions during the 2022 financial year.

The shareholder meeting on 17/01/2022 passed the increase in share capital by EUR 11,157.00 and the corresponding change to the articles of association in Section 3 (Share capital). The parent company's new share capital is EUR 92,990.00.

The shareholder meeting on 25 January 2022 passed the increase in share capital by EUR 1,014.00 and the corresponding change to the articles of association in Section 3 (Share capital). The parent company's new share capital is EUR 94,004.00.

No other transactions of special significance occurring after the end of the financial year are to be noted or taken into account in the income statement or balance sheet.

Friedrichsdorf, 31 May 2022
PharmaLex Holding GmbH

- The Management -

Dr. Thomas Dobmeyer

	Costs of purchasing and manufacture						Depreciation and amortisation						Carrying values			
	Version: 01/01/2021 EUR	Inflows EUR	Outflows EUR	Repeating EUR	Inflows from first consolidation EUR	Currency differences EUR	Version: 31/12/2021 EUR	Version: 01/01/2021 EUR	Inflows EUR	Outflows EUR	Inflows from first consolidation EUR	Currency differences EUR	Version: 31/12/2021 EUR	Version: 31/12/2020 EUR	Version: 31/12/2020 EUR	
I. Intangible assets																
1. Software created in-house	1,487,788.43	141,958.69	0.00	0.00	30,775.79	24,817.87	1,665,336.78	-1,207,812.73	-165,814.93	0.00	-17,061.81	-17,932.89	-1,408,622.38	256,716.42	259,973.70	
2. Copyrightable resources, industrial property rights and similar rights and values as well as licences to such rights	2,916,996.35	141,584.52	-148,428.53	0.00	1,309,045.22	55,503.24	4,276,716.70	-1,082,150.26	-201,368.37	146,349.44	-384,368.38	-14,387.36	-2,435,945.84	1,840,773.76	834,845.99	
3. Goodwill	110,887,430.89	1,180,684.74	-1,187,845.64	0.00	114,196,458.33	1,506,740.01	226,583,368.33	-30,828,078.89	-13,902,313.93	7,252.12	-48,697.74	-322,107.86	-45,091,846.40	181,491,421.83	80,058,352.00	
4. Advance payments made	1,046,822.20	2,715,377.28	-6,527.00	0.00	117,633.49	0.00	2,873,350.97	0.00	0.00	0.00	-75,278.51	0.00	-75,278.51	3,798,022.48	1,046,822.20	
	116,310,035.77	4,179,605.23	-1,346,887.17	0.00	116,633,812.83	1,567,681.12	238,338,727.78	-34,818,041.88	-14,269,517.23	153,691.58	-423,487.45	-354,478.21	-43,911,793.21	187,385,934.07	85,300,933.69	
II. Tangible non-current assets																
1. Buildings on third-party land	32,868.00	0.00	0.00	0.00	75,228.25	0.00	108,096.25	-23,431.00	-8,430.00	0.00	-75,228.25	0.00	-108,096.25	8.00	8,438.00	
2. Installations and equipment	5,781,020.12	718,275.70	-810,328.06	0.00	5,132,145.59	124,027.03	10,846,149.38	-4,828,861.74	-820,878.84	789,001.27	-2,853,947.29	-80,878.02	-7,705,462.62	3,140,686.76	1,151,158.38	
3. Advance payments made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	5,813,888.12	718,275.70	-810,328.06	0.00	5,132,145.59	124,027.03	10,846,149.38	-4,828,861.74	-820,878.84	789,001.27	-2,853,947.29	-80,878.02	-7,705,462.62	3,140,686.76	1,151,158.38	
III. Financial assets																
1. Shares in affiliated companies	15,811.75	0.00	0.00	0.00	108,332.88	0.00	122,144.73	0.00	-38,321.80	0.00	-49,897.84	0.00	-88,219.74	35,924.89	15,811.75	
2. Holdings	8,600.00	14,433.72	0.00	0.00	324,251.56	0.00	347,685.28	0.00	0.00	0.00	-106,856.56	0.00	-106,856.56	241,828.72	9,000.00	
3. Loans to affiliated companies	0.00	7,918.76	0.00	0.00	0.00	-578.75	7,340.01	0.00	0.00	0.00	0.00	0.00	0.00	7,340.01	0.00	
4. Investment securities	184,221.17	0.00	-184,221.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	184,221.17	
	209,032.82	22,352.48	-184,221.17	0.00	432,584.54	-578.75	477,172.02	0.00	-38,321.80	0.00	-155,754.40	0.00	-192,076.30	285,095.72	209,032.82	
	122,341,857.81	4,921,333.41	-2,435,437.40	0.00	121,281,872.21	-710,821.40	247,820,147.43	-38,671,334.62	-15,235,845.87	852,692.83	-3,668,338.45	-454,468.23	-57,617,422.38	188,812,725.05	83,676,823.18	

PharmaLex Holding GmbH

Friedrichsdorf

Cash flow statement

for the financial year from 01 January to 31 December 2021

		2021 EUR	2020 EUR
1	Earnings for period (consolidated profit / loss for the year including share of earnings for other shareholders)	2.901.467,54	2.472.678,55
2	+/- Depreciation, value adjustments/appreciation of fixed assets	15.235.945,87	11.342.041,81
3	+/- Increase/decrease in provisions	777.385,85	869.515,21
4	+/- Other non-cash income/expenses	-946.665,70	-2.171.347,74
5	-/+ Increase / decrease in inventories, trade receivables and other assets	-6.952.106,25	2.638.714,34
6	+/- Increase / decrease in trade liabilities and other liabilities	2.027.969,50	-89.539,66
7	-/+ Profit/loss from the disposal of fixed assets	-32.171,57	-790,95
8	+/- Interest expenses/income	5.436.877,25	3.705.795,47
9	+/- Expenses/income from taxes on profit	6.266.248,53	4.218.340,61
10	-/+ Payments for taxes on profit	-7.783.368,66	-4.369.459,79
11	= Net cash flow from operating activities	16.931.582,36	18.615.947,85
12	+/- Income from/payments for investments in intangible assets	-3.091.163,01	-1.200.418,56
13	+ Income from the disposal of tangible assets	144.410,36	795,91
14	- Payments related to investments in tangible fixed assets	-719.275,70	-414.858,66
15	+ Income for investments in financial assets	203.581,78	0,00
16	- Payments made for investments in financial assets	-22.352,48	-603,26
17	+/- Income from / payments for additions to consolidation scope	-102.870.478,53	-40.384.171,64
18	- Payments for purchasing shares not controlled	-8.779.950,93	-7.631.866,87
19	+/- Income/payments in connection with the short-term financial management of cash investments	-1.739.845,84	1.196,57
20	+ Interest received	59.075,98	4.864,54
21	= Cash flow from investing activities	-116.815.998,37	-49.625.061,97
22	+ Income from additional equity from shareholders of the parent company	0,00	8.126.159,00
23	+ Income from taking (financial) loans	116.000.000,00	32.100.000,00
24	- Payments for redemption of (financing) loans	-14.351.658,52	-9.780.000,00
25	+/- Income/payments from taking/redeeming (shareholder) loans and interest	1.333.182,86	6.723.001,00
26	+/- Income/payments from taking/redeeming (purchase price) loans and interest	9.705.071,09	611.030,06
27	+ Income from subsidies/benefits received	115.202,56	3.455.474,06
28	- Interest paid	-8.609.345,73	-2.703.569,84
29	- Dividends paid to other shareholders	-530.190,67	-53.253,21
30	= Cash flow from financing activities	103.662.261,59	38.478.841,07
31	Changes in cash and cash equivalent value dependent on currency exchange rate and valuation	784.586,08	-467.490,71
32	Cash and cash equivalents at period start	23.687.129,71	16.684.893,47
33	Cash and cash equivalents at period end	28.249.561,37	23.687.129,71

PharmaLex Holding GmbH
Friedrichsdorf
Equity movement schedule for the financial year from 01 January to 31 December 2021

	Parent company equity					Shares not controlled					Equity	Group equity
	Subscribed capital	Capital reserve	Equity difference from currency conversion	Loss carried forward	Consolidated profit	Equity	Shares not controlled before equity difference from currency conversion and profit for the year	Equity difference from currency conversion on shares not controlled	Profit/loss for the year allocated to shares not controlled			
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1.1.21	81.833,00	14.543.961,77	-2.254.539,43	-3.517.729,12	0,00	8.853.526,22	5.223.327,24	-300.315,50	0,00	4.923.011,74	13.776.537,96	
Dividends	0,00	0,00	0,00	0,00	0,00	0,00	-530.190,67	0,00	0,00	-530.190,67	-530.190,67	
Changes in consolidation scope	0,00	0,00	0,00	0,00	0,00	0,00	962.650,33	0,00	0,00	962.650,33	962.650,33	
Currency conversion	0,00	0,00	2.213.939,81	-803.098,16	0,00	1.410.841,65	0,00	249.677,27	0,00	249.677,27	1.660.518,92	
Other changes	0,00	0,00	0,00	-7.563.097,57	0,00	-7.563.097,57	-146.212,61	0,00	0,00	-146.212,61	-7.709.310,18	
Consolidated net profit	0,00	0,00	0,00	0,00	3.178.017,47	3.178.017,47	0,00	0,00	-276.549,93	-276.549,93	2.901.467,54	
As at 31.12.21	81.833,00	14.543.961,77	-40.599,62	-11.893.924,85	3.178.017,47	5.879.287,77	5.509.574,29	-50.638,23	-276.549,93	5.182.386,13	11.061.673,80	

Reproduction of the Independent Auditor's Report

Based on the results of our audit, we issued the following unqualified audit opinion dated 31 May 2022:

Independent Auditor's Report

To PharmaLex Holding GmbH, Friedrichsdorf

Opinions

We have audited the consolidated financial statements of PharmaLex Holding GmbH, Friedrichsdorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2021 to 31 December 2021, and the notes to the consolidated financial statements, including a description of the accounting policies. In addition, we have audited the Group management report of PharmaLex Holding GmbH, Friedrichsdorf, for the financial year from 1 January 2021 to 31 December 2021.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements present fairly, in all material respects, with the provisions of German commercial law and give a true and fair view of the net assets and financial position of the Group as at 31 December 2021 and of its results of operations for the financial year from 1 January 2021 to 31 December 2021 in accordance with German principles of proper accounting, and
- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal statutory requirements, and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 of the German Commercial Code (HGB), we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the Group management report.

Basis for opinion

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB as well as the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibility under these provisions and principles is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report" of our auditor's report. We are independent of the Group Companies in accordance with the requirements of German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law 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 consolidated financial statements and on the Group management report.

Responsibilities of the Legal Representatives for the Consolidated Financial Statements and the Group Management Report

The Legal Representatives are responsible for the preparation of the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. Furthermore, the Legal Representatives are responsible for the internal controls that they have determined are necessary to enable the preparation of consolidated financial statements in accordance with the German principles of proper accounting that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Legal Representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the going concern of the company. Additionally, they are responsible for using the going concern basis of accounting unless there are factual or legal obstacles preventing them from doing so.

Moreover, the Legal Representatives are responsible for preparing of the Group management report, which as a whole provides a suitable view of the Group's position, and, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development. Furthermore, the Legal Representatives are responsible for the arrangements and measures (systems) as they determine are necessary to enable the preparation of a Group management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements may result from violations or inaccuracies and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users taken on the basis of these consolidated financial statements and Group management report.

As part of our audit we exercise professional judgement and maintain a professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and the Group 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 opinion. The risk that material misstatements will not be detected is higher for fraud than for inaccuracies, as fraud may involve collusion, forgery, intentional omissions, misleading representations or override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those procedures.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Legal Representatives.
- conclude on the appropriateness of the going concern basis of accounting used by the Legal Representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Group management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Group no longer being able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- evaluate consistency of the Group management report with the consolidated financial statements, its legal compliance, and the presentation of the Group's position.
- perform audit procedures on the prospective information presented by the Legal Representatives in the Group management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Legal Representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events may differ materially from the prospective information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Eschborn, 31 May 2022

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Giebertmann	Schöffel
Wirtschaftsprüfer	Wirtschaftsprüfer
[Certified Public Auditor]	[Certified Public Auditor]