

# Versatile-Audit Kft.

4400 Nyíregyháza, Munkás u. 53.

Adószám: 13874357-2-15 Cégj. sz.: 15-09-071194

Számlaszám: HVB Bank ZRt. 10918001-00000046-12220018

## ***Independent Auditors' Report***

(Free translation)

*To the quota holders shareholders of ALKALOIDA Chemical Company Zrt*

We completed the overall analytical review of the attached financial statement of the **ALKALOIDA Chemical Company Zrt.** of the year 2014. This financial statement contains the balance sheet, compiled to the balance date of 31. March 2015, in which the equal total amount of assets and liabilities is **722 114 503 USD** and the loss of the year is **- 19 220 114 USD (loss)**, the profit- and loss statement for the year ended at the mentioned date, and the supplementary enclosure.

### **The responsibility of the management for the annual report**

Compilation – according to the Law of Accountancy and to the Hungarian Accepted Accounting Principles – and actual presentation of the annual report is the responsibility of the management. This responsibility includes the formation, introduction and maintenance of the internal control system, which is relevant from the view of the compilation and actual presentation of the annual report – which is devide from any significant wrong statement, derived either from fraud or from mistake –, the selection and use of the appropriate accounting policy and the preparation of the – under the circumstances – rational accounting estimations.

### **The responsibility of the auditor**

The responsibility of the auditor is to give opinion about the financial statement on basis of his audit, and to adjudge, whether the business report corresponds to the data included in the financial statement. We accomplished our audit on basis of Hungarian National Auditing Standards, of updated acts concerning auditing activity in Hungary and of other legislative provisions. Under the terms of the above standards, we have to suit the certain ethical requirements, and by planning and doing the auditing activity we have to get enough evidence and make sure that the financial statement does not contain significant incorrect statements.

Our audit included the fulfillment of such procedures, which purposes are to get enough audit evidence about the amounts and disclosures performed in the financial statement. The selected procedures – included the assessment of the risk of significant incorrect statement in the financial statement derived either from fraud or from mistake – depend on the judgement of the auditor. In case of such assessment of the risk, the auditor ponders the internal control system – which is relevant in the compilation and the actual presentation of the annual report – in order to be able to design such auditor procedures, which are – under the circumstances – appropriate, but not in order to offer an opinion about the internal control system of the company.

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Our audit included furthermore the valuation of the compliance of the applied accounting principles, of the reasonableness of the accounting estimations of the management and of the comprehensive presentation of the financial statement. Our work related with the business report was confined to the judgement of the correspondence between the business report and the financial statement and did not include the review of other information, which are deducted from other, non-audited accounting registers.

We are convinced that the possessed audit evidences give sufficient and appropriate basis for the auditor's clause.

## Clause

During our audit activity we supervised the financial statement of the **ALKALOIDA Chemical Company Zrt.** parts and items of that, accounting and documentary corroboration of that on basis of updated national accounting standards. According to these we have sufficient and appropriate evidence that the financial statement was compiled on basis of the Law of Accountancy and according to General Accounting Principles.

The annual report puts a reliable and true face of the property, income and financial situation of the **ALKALOIDA Chemical Company Zrt.** on 31. March 2015. The business report corresponds to the data included in the financial statement.

Nyíregyháza, 15<sup>th</sup> April 2015.

### **János Varga**

Registered Auditor

Licence No.: 002059

12 Kandó K street, 4400 Nyíregyháza

### **Sándorné Piroska**

Partner

VERSATILE AUDIT Ltd.

Licence No.: 002430

53 Munkás street, 4400 Nyíregyháza

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Statistical code

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Company registration number

ALKALOIDA Chemical Company Zrt.

"A" BALANCE Assets

USD

No.	Item	Previous year 31/03/2014	Previous year(s) modifications	Reference year 31/03/2015
a	b	c	d	e
01.	<b>A FIXED ASSETS</b> (2.+10.+18.)	<b>790,043,382</b>	0	<b>518,908,987</b>
02.	<b>I. INTANGIBLE ASSETS</b> (3. ... 9.)	17,735	0	46,153
03.	Capitalised value of foundation and restructuring costs			
04.	Capitalised value of research and development	0		0
05.	Concessions and similar rights and assets k			
06.	Intellectual property	17,735		46,153
07.	Goodwill			
08.	Advance payments on intangible assets			
09.	Revaluation of intangible assets			
10.	<b>II. TANGIBLE ASSETS</b> (11. ... 17.)	39,976,395	0	40,745,591
11.	Land and buildings and related concessions and similar rights	28,914,498		33,039,532
12.	Technical equipment, machinery and vehicles	4,227,132		3,747,897
13.	Other equipment, fittings and vehicles	2,842,097		2,530,938
14.	Breeding stock			
15.	Capital WIP, renovations	3,991,621		1,385,951
16.	Advance payments on Capital WIP	1,047		41,273
17.	Revaluation of tangible assets			
18.	<b>III. FINANCIAL INVESTMENTS</b> (19. ... 25.)	750,049,252	0	478,117,243
19.	Long term investments in related companies	263,331,552		261,247,797
20.	Long term loans given to related companies	486,717,700		216,869,446
21.	Other long term investments			
22.	Long term loans given to other investees			
23.	Other long term loans given			
24.	Securities representing long term loans			
25.	Revaluation of financial investments			
26.	<b>B CURRENT ASSETS</b> (27.+34.+40.+45.)	<b>37,897,083</b>	0	<b>201,012,381</b>
27.	<b>I. INVENTORIES</b> (28. ... 33.)	30,946,427	0	38,368,059
28.	Raw materials and consumables	4,451,645		7,628,744
29.	Work in progress and semi-finished products	14,011,375		10,473,331
30.	Animals			
31.	Finished goods	12,483,407		16,362,033
32.	Goods			
33.	Advance payments on inventories			3,903,951
34.	<b>II. RECEIVABLES</b> (35. ... 39.)	5,792,536	0	148,297,471
35.	Trade accounts receivable	696,150		568,808
36.	Receivables from related companies	861,272		143,952,873
37.	Receivables from other investees			
38.	Bills of exchange receivables			
39.	Other receivables	4,235,114		3,775,790
40.	<b>III. MARKETABLE SECURITIES</b> (41. ... 44.)	0	0	5,008
41.	Investments in related companies			
42.	Other investments			
43.	Own shares, own quotas	0		5,008
44.	Securities representing loans held for sale			
45.	<b>IV. LIQUID ASSETS</b> (46.+47.)	1,158,120	0	14,341,843
46.	Cash in hand, cheques	1,087		1,105
47.	Bank deposits	1,157,033		14,340,738
48.	<b>C PREPAID EXPENSES AND ACCRUED INCOME</b> (49. ... 51.)	<b>13,747,846</b>	0	<b>2,193,135</b>
49.	Accrued income	13,577,330		1,823,853
50.	Prepaid expenses	170,516		369,282
51.	Deferred expenses			
52.	<b>TOTAL ASSETS</b> (1.+26.+48.)	<b>841,688,311</b>	0	<b>722,114,503</b>

Date: TISZAVASVARI, APRIL 15, 2015

head of the company  
(representative)

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Company registration number

ALKALOIDA Chemical Company Zrt.

"A" BALANCE Liabilities

USD

No	Item	Previous year 31/03/2014	Previous year(s) modifications	Reference year 31/03/2015
a	b	c	d	e
53.	<b>D SHAREHOLDERS' EQUITY</b> (54.+56.+57. ... 61.)	<b>153,213,361</b>	0	<b>564,944,815</b>
54.	I. ISSUED CAPITAL	133,150,577		268,150,577
55.	Of line 54: ownership shares repurchased at face value			
56.	II. ISSUED BUT NOT PAID CAPITAL (-)			
57.	III. CAPITAL RESERVES	156,864,864		316,014,352
58.	IV. RETAINED EARNINGS FROM PREVIOUS YEAR	-119,038,217		0
59.	V. NON DISTRIBUTABLE RESERVES			
60.	VI. REVALUATION RESERVE			
61.	VII. PROFIT PER BALANCE SHEET	-17,763,863		-19,220,114
62.	<b>E PROVISIONS</b> (63. ... 65.)	<b>430,100</b>	0	<b>0</b>
63.	1. Provisions for expected liabilities	430,100		0
64.	2. Provisions for future expenses			
65.	3. Other provisions			
66.	<b>F LIABILITIES</b> (67.+71.+80.)	<b>674,714,733</b>	0	<b>154,948,139</b>
67.	I. SUBORDINATED LIABILITIES (68. ... 70.)	0	0	0
68.	Subordinated liabilities to related companies			
69.	Subordinated liabilities to other investees			
70.	Subordinated liabilities to other enterprises			
71.	II. LONG TERM LIABILITIES (72. ... 79.)	672,513,304	0	152,357,919
72.	Long term credits			
73.	Convertible bonds			
74.	Debt on the issue of bonds			
75.	Investment and development loans			
76.	Other long term loans			
77.	Long term liabilities to related companies	672,480,105		152,340,000
78.	Long term liabilities to other investees			
79.	Other long term liabilities	33,199		17,919
80.	III. SHORT TERM LIABILITIES (81. ... 89.)	2,201,429	0	2,590,220
81.	Short term credits			
82.	Of line 81: convertible bonds			
83.	Short term loans			4,640
84.	Advance payments received from customers	0		61,128
85.	Trade accounts payable	2,133,512		1,863,400
86.	Bills of exchange payable			
87.	Short term liabilities to related companies	66,336		393,920
88.	Short term liabilities to other investees	1,581		0
89.	Other short term liabilities	0		267,132
90.	<b>G ACCRUED EXPENSES AND DEFERRED INCOME</b> (91. ... 93.)	<b>13,330,117</b>	0	<b>2,221,549</b>
91.	Deferred revenues			
92.	Accrued expenses and deferred income	12,779,694		1,683,112
93.	Deferred income	550,423		538,437
94.	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> (53.+62.+66.+90.)	<b>841,688,311</b>	0	<b>722,114,503</b>

Date: TISZAVASVARI, APRIL 15, 2015

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Company registration number

ALKALOIDA Chemical Company Zrt.

"B" STATEMENT OF INCOME

(with turnover cost method)

USD

No	Item	Previous year 31/03/2014	Previous year(s) modifications	Reference year 31/03/2015
a	b	c	d	e
01.	Net domestic sales	4,033,649		1,169,684
02.	Net export revenues	12,136,826		11,615,303
I.	NET SALES REVENUES (01+02)	16,170,475	0	12,784,987
03.	Direct cost of sales	23,705,878		19,546,354
04.	Cost of goods sold	75,266		128,530
05.	Value of services provided	2,325		2,916
II.	DIRECT COST OF SALES (03+04+05)	23,783,469	0	19,677,800
III.	GROSS SALES INCOME (I.-II.)	-7,612,994	0	-6,892,813
06.	Cost of sales	429,420		194,599
07.	Administration cost	5,971,140		4,237,164
08.	Other overheads	234,497		195,058
IV.	INDIRECT COST OF SALES (06+07+08)	6,635,057	0	4,626,821
V.	OTHER INCOME	138,461		498,435
	- teherof: loss of value written back	48,334		3,036
VI.	OTHER EXPENDITURES	8,150,709		9,441,529
	- thereof: loss of value	7,133,186		8,337,819
<b>A.</b>	<b>TRADING PROFIT (+III-IV+V-VI)</b>	<b>-22,260,299</b>	<b>0</b>	<b>-20,462,728</b>
09.	Dividend received			
	- Of which: received from related companies			
10.	Gain on sale of investment			
	- Of which: received from related companies			
11.	Interest received and gain on financial investments			
	- Of which: received from related companies			
12.	Other interest received	13,603,707		10,907,910
	- Of which: received from related companies	13,571,553		10,879,423
13.	Other revenues from financial transactions	1,975,157		52,964
VII.	REVENUES FROM FINANCIAL TRANSACTIONS (9+10+11+12+13)	15,578,864	0	10,960,874
14.	Loss on financial investments			
	- Of which: given to related companies			
15.	Interest paid	11,106,629		3,128,418
	- Of which: given to related companies	11,103,426		3,125,429
16.	Losses on shares, securities and bank deposits	-63,359		11,530
17.	Other expenditures of financial transactions	340,566		6,660,202
VIII.	EXPENDITURES OF FINANCIAL TRANSACTIONS (14+15+16+17)	11,383,836	0	9,800,150
<b>B.</b>	<b>FINANCIAL PROFIT (VII.-VIII.)</b>	<b>4,195,028</b>	<b>0</b>	<b>1,160,724</b>
<b>C.</b>	<b>PROFIT ON ORDINARY BUSINESS (+-A+B)</b>	<b>-18,065,271</b>	<b>0</b>	<b>-19,302,004</b>
IX.	EXTRAORDINARY REVENUES	301,408		85,119
X.	EXTRAORDINARY EXPENDITURES	0		3,229
<b>D.</b>	<b>PROFIT ON EXTRAORDINARY EVENTS (IX.-X.)</b>	<b>301,408</b>	<b>0</b>	<b>81,890</b>
<b>E</b>	<b>NET PROFIT BEFORE TAXATION (±C±D)</b>	<b>-17,763,863</b>	<b>0</b>	<b>-19,220,114</b>
XI.	TAX LIABILITY			
<b>F</b>	<b>PROFIT AFTER TAX (±E-XI)</b>	<b>-17,763,863</b>	<b>0</b>	<b>-19,220,114</b>
18.	Dividends paid out of accumulated profit reserve			
19.	Dividends paid (approved) out of current year profits			
<b>G</b>	<b>NET PROFIT PER BALANCE SHEET (±F+22-23)</b>	<b>-17,763,863</b>	<b>0</b>	<b>-19,220,114</b>

Date: TISZAVASVARI, APRIL 15, 2015

head of the company  
(representative)

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Company registration number

ALKALOIDA Chemical Company Zrt.

"A" STATEMENT OF INCOME  
(with total cost method)

USD

No.	Item	Previous year 31/03/2014	Previous year(s) modifications	Reference year 31/03/2015
a	b	c	d	e
01.	Net domestic sales revenues	4,033,648		1,169,684
02.	Net export sales revenues	12,136,826		11,615,303
I.	NET SALES REVENUES (01+02)	16,170,474	0	12,784,987
03.	Change in self-manufactured inventories	11,956,421		8,544,633
04.	Capitalised value of self-manufactured assets	0		0
II.	CAPITALISED VALUE OF OWN PERFORMANCE (03+04)	11,956,421	0	8,544,633
III.	OTHER INCOME	138,461		498,435
	Of which: loss of value written back	48,334		3,036
05.	Cost of raw materials	20,139,064		12,158,130
06.	Value of services used	12,171,916		9,907,272
07.	Value of other services	266,797		240,178
08.	Cost of goods sold	75,266		128,530
09.	Value of recharged services	2,325		2,915
IV.	MATERIAL-TYPE EXPENDITURES (05+06+07+08+09)	32,655,368	0	22,437,025
10.	Wages costs	5,003,768		5,306,091
11.	Other payments to personnel	719,835		770,313
12.	Personnel related contributions	1,388,599		1,543,028
V.	PAYMENTS TO PERSONNEL (10+11+12)	7,112,202	0	7,619,432
VI.	DEPRECIATION CHARGE	2,607,376		2,792,797
VII.	OTHER EXPENSES	8,150,709		9,441,529
	Of which: impairment loss provision	7,133,185		9,337,819
A	TRADING PROFIT (I+II+III-IV-V-VI-VII)	-22,260,299	0	-20,462,728
13.	Dividend received			
	Of which: received from related companies			
14.	Gain on sale of investment			
	Of which: received from related companies			
15.	Interest received and gain on financial investments			
	Of which: received from related companies			
16.	Other interest received	13,603,707		10,907,910
	Of which: received from related companies	13,571,553		10,879,423
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18.	Loss on financial investments			
	Of which: given to related companies			
19.	Interest paid	11,106,629		3,128,418
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20.	Losses on shares, securities and bank deposits	-63,359		11,530
21.	Other expenditures of financial transactions	340,566		6,660,202
IX.	EXPENDITURES OF FINANCIAL TRANSACTIONS (18+19+20+21)	11,383,836	0	9,800,150
B	FINANCIAL PROFIT (VIII-IX)	4,195,028	0	1,160,724
C	PROFIT ON ORDINARY BUSINESS (±A±B)	-18,065,271	0	-19,302,004
X.	EXTRAORDINARY REVENUES	301,408		85,119
XI.	EXTRAORDINARY EXPENDITURES	0		3,229
D	PROFIT ON EXTRAORDINARY EVENTS (X-XI)	301,408	0	81,890
E	NET PROFIT BEFORE TAXATION (±C±D)	-17,763,863	0	-19,220,114
XII.	TAX LIABILITY			
F	PROFIT AFTER TAX (±E-XII)	-17,763,863	0	-19,220,114
22.	Dividends paid out of accumulated profit reserve			
23.	Dividends paid (approved) out of current year profits			
G	NET PROFIT PER BALANCE SHEET (±F+22-23)	-17,763,863	0	-19,220,114

Date: TISZAVASVARI, APRIL 15, 2015

head of the company

## **ALKALOIDA Chemical Company Zrt.**

**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

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### **1 PRESENTATION OF THE COMPANY**

ALKALOIDA Chemical Company Zrt. (hereinafter referred to as “Company”) is the member of the SUN Pharmaceutical Industries Ltd. international corporation based in India.

The Company, acting upon the accounting system of the parent company, prepares annual report for the period between 01 April 2014 and 31 March 2015, date of balance is 31 March.

#### **Our company limited was established by János Kabay in the North-Eastern part of Hungary, in Tiszavasvári, in 1927, as Alkaloida Chemical Factory.**

Morphine was produced in the factory from green poppy. A couple of years later János Kabay took out the patent for his new technology utilising dry poppy heads, which has ever since been applied all over the world. The prosperous company was socialised in 1948 and developed dynamically. The production of fully manufactured medicines was launched in the 60s. The company entered into a great number of licence agreements for the preparation of diverse medicines with international companies (such as Zeneca, Sandoz, Bayer, Hoffmann-La Roche), some of which are still in force. In the 70s the Company started pesticide production as well as additional products and API production. Due to continuous growth, in the 80s the Company became one of the biggest company in the county with its three main product group: API, final products and pesticides. Later in the 90s – called as profile cleaning – the Company to be privatised phased out pesticide production but did not increase number of products to compensate the formermentioned.

In the course of the privatisation following the change of the political regime in Hungary the majority of the company shares were acquired by the ICN Pharmaceuticals Inc. in 1996. The stakes were sold to Sun Pharma Global Inc., a company based in British Virgin Islands in August 2005. Before the sales transaction the former parent company handed over production and sales rights of 85% of final products to the subsidiaries in 2004. and thereafter ALKALOIDA produces these products in less and less volume by Toll Manufacturing. Currently SUN has 99.99% proportion of property in the Company.

#### **Core activities of ALKALOIDA Chemical Company Zrt.**

- Vegetable based active pharmaceutical ingredients : morphine alkaloids, codeine and its derivatives as well as Sennozide
- Synthetic API.
- Chloroquine salts used against malaria and rheumatics as well as Phenobarbital used for tranquillisers;
- Intermediate products and finished preparations (some thirty different types of pharmaceutical preparations. Solid dosage forms, tablets, film coated tablets and capsules).

Our medicines are used typically to the following scopes of therapies: cardio-vascular diseases, disorders of the digestive system and those of the nervous system.

Manufacturing Licence of the Company has been extended with import, analyse and release of solid pharmaceutical products from third countries in European Union.

**Registered seat of the Company: 4440 Tiszavasvári, Kabay János u. 29.**

Business activities of the Company is in Tiszavasvári.

## ALKALOIDA Chemical Company Zrt.

### SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

ALKALOIDA Chemical Company Zrt. has no subsidiary companies in Hungary, abroad are consolidated by SUN Pharmaceutical Industries Ltd. for all companies belonging to the group, accordingly, no consolidated report is prepared by ALKALOIDA.

For consolidation at group level all the companies belonging to the SUN group – so does Alkaloida – supply data. Data supply covers all the transactions between concerns. Data shall be supplied in spreadsheet format in the currency of the transaction and in the reporting currency / accounting currency. Detailed data of the transactions are checked by the companies and observations are circulated to each other in written note.

Consolidation at group level is performed by a consolidation team, transaction within the group are filtered at that level and additional check is performed. If any deviation is observed in transactions supplied by the companies then this team takes measures to have absolute matching.

ALKALOIDA Chemical Company Zrt. has no authorities in any enterprise on the basis of which or in pursuance of the accounting standards it shall be considered as a corporation of joint administration or associate company.

The parameters of any enterprises being in holding relations with the company are included in Annex 3.

Our Company possesses no direct power or power ensuring majority control, nor does it have substantial influence in any business organisation.

According to the 3/2011 resolution of the extraordinary general assembly on 24 February 2011, on the date of balance the Company switched to accounting in USA dollar (USD) and prepares its annual report in USD.

**Issued capital stock of the Company: 268.150.577 USD**, which is composed of the following elements:

7,033,587 pieces of shares with the face value of 0.015 USD each providing general rights, 14,489,167 pieces of shares with the face value of 15 USD each providing general rights, 36,500 pieces of preference shares, 3,344,000 pieces redeemable shares and 3,173 pieces of registered shares for small investors with the face value of 0.015 USD each and 1,342 pieces of own shares . with the face value of 0.015 USD each.

The former majority owner, the ICN Pharmaceuticals Inc., sold its equity stake forming its majority ownership on 8 August 2005 to the Sun Pharma Global Inc., based in British Virgin Islands.

On 29 March 2014 the majority ownership of Sun Pharma Global Inc. was assigned to Sun Pharma Holdings belonging to the SUN group registered in Mauritius.

### Ownership structure:

Shareholders	Data in USD									
	Number of shares				Par value (thousand HUF)				Percentage of ownership	
	31/03/2014		31/03/2015		31/03/2014		31/03/2015		31/03/2014	31/03/2015
0.015 -USD	15. -USD	0.015 -USD	15. -USD	0.015 -USD	15. -USD	0.015 -USD	15. -USD	%	%	
Sun Pharma Global FZE	0	3,000,000	0	0	0	45,000,000	0	0	33.80%	0.00%
Sun Pharmaceutical Industries Limited	0	0	0	3,000,000	0	0	0	45,000,000	0.00%	16.78%
Sun Pharma Holdings Limited (korábban Nograd Holdings)	7,033,587	5,869,667	7,033,587	14,869,667	105,504	88,045,005	105,504	223,045,005	66.20%	83.22%
Kisebbségi tulajdonosok ALKALOIDA Vegészeti Gyár Zrt.	4,515	0	3,173	0	68	0	48	0	0.00%	0.00%
	0	0	1,342	0	0	0	20	0	0.00%	0.00%
<b>Total</b>	<b>7,038,102</b>	<b>8,869,667</b>	<b>7,038,102</b>	<b>17,869,667</b>	<b>105,572</b>	<b>133,045,005</b>	<b>105,572</b>	<b>268,045,005</b>	<b>100.00%</b>	<b>100.00%</b>



## ALKALOIDA Chemical Company Zrt.

SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

### Capital Structure:

Description	Data in USD			
	31/03/2014	31/03/2015	Eltérés 2015-2014	Index % 2015/2014
Subscribed capital	133,150,577	268,150,577	135,000,000	201.39%
Capital reserve	156,864,864	316,014,352	159,149,488	201.46%
Accumulated profit reserve	-119,038,217	0	119,038,217	0.00%
Tied-up reserve	0	0	0	0.00%
Net profit per balance sheet	-17,763,863	-19,220,114	-1,456,251	108.20%
<b>Own capital</b>	<b>153,213,361</b>	<b>564,944,815</b>	<b>411,731,454</b>	<b>368.73%</b>

As consolidated report is prepared for all the companies belonging to the SUN group by the mother company, the enterprises involved in the administration of the ALKALOIDA Chemical Company Zrt. do not prepare a consolidated report in Hungary.

## 2 ACCOUNTING POLICY

### a) General Information

The Company shall prepare **annual reports** accordingly it shall perform accounting in accordance with the rules of **double entry book-keeping**.

The Company shall prepare ordinary annual report for the period under review similar to the previous year in Hungarian language in accordance with the accounting standards of Hungary.

The Company, acting upon the accounting system of the parent company, prepares annual report for the period between 01 April 2013 and 31 March 2014, date of balance is 31 March.

Date of reporting shall be: 15 April.

The annual report has been prepared in line with the Hungarian accounting standards with the application of the principle of selling costs.

The Company shall prepare "A" type balance sheet.

The Company shall prepare "A" type profit and loss statement based on the principle of the turnover cost method.

The Company shall prepare the annual report in USD. The accounting, supporting the report is also prepared in USD.

The Company is not subject to the preparation of consolidated statements.

The person authorised to prepare the report and statement, and to control the rules of accounting shall be qualified as a certified accountant, and shall be registered in the List of Accounting Service Providers maintained by the Ministry of Finance, and shall bear all relevant licences entitling to the execution of the mentioned activities.

Name of the person being responsible for the preparation of the report: **Baloghné Levenda Timea**, (4440, Tiszavasvári, Árpád u. 53), recorded in the registry under entry: 176726.

The correctness, reliability and truthfulness of the report for the year under review have been verified by the auditor. Name of the auditor who has checked the report: **Varga János** (4400 Nyíregyháza, Kandó Kálmán u. 12), number of membership at the chamber of auditors:

### b) Major elements of the accounting policy

Under the Act C on Accounting of 2000 the Company (hereinafter referred to as "Act on Accounting") has executed its activities in accordance with the provisions of other statutes on accounting in force.

## **ALKALOIDA Chemical Company Zrt.**

### **SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

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In line with the act on accounting the Company has developed its own regulations pertaining to the management of funds, inventory, evaluation of assets and sources, and to the calculation of prime costs.

The Company has specified in its accounting policy, that the application of completeness, authenticity, clearness, commensurability, continuity, consistence, cautiousness, gross accounting, individual evaluation, accrued and deferred items, the dominance of content over form, significance and the cost-profit comparison as principles of accounting shall be ensured in the course of business.

With respect to the report all and any information the omission or incorrect presentation of which may affect the decisions of the users shall be considered essential.

An error or impact of the error with effect on profit and loss or equity capital with the value of which is in excess of 2% of the aggregate amount of the balance shall be qualified as consequential (significant) error during the audit or internal audit.

There is no value limit defined in the Accounting Policy for the year-end revaluation of assets and sources incurred in foreign currency, consequently each item shall be revaluated in the books regardless of the value limit.

When the devaluation is defined a stock shall be qualified as a stock of low value in kind in the case of which the cost of lead through the ledger exceeds the amount of loss in value. For these sorts of stocks the accounting of the devaluation shall be made in proportion of the book value.

For purchased stock the closing stock is shown by weighted average price calculated based on purchasing prices.

The purchased stocks shall be indicated at reduced value which

- Do not conform to the relevant regulations (standards, requirements specified in the supply contract, etc.),
- Do not conform to the originally intended purposes (e.g. due to physical, chemical impacts, or become outdated, etc.) and
- The sale or usage is doubtful, shall be considered as excess stock (e.g. those that are not marketed any longer, or are not usable owing to the changeover of types, etc.)

The closing material stock shall be indicated in the balance sheet with decreased value if the book value of such stocks (at the latest purchase prices) was permanently and significantly higher than that the actual market values thereof known at the time when the balance sheet was prepared.

In the case of stocks of private (own-) production (semi-finished and finished products, work in progress) the closing stock is indicated at actual indirect prime cost.

Devaluation is accounted for stocks of private (own-) production if

- The physical condition of the stock of private (own-) production deteriorated (due to damage, impairment of quality, destruction, etc.),
- The stock of private (own-) production cannot be used for their originally intended purposes (becoming unmarketable, marketable only with considerable reduction, at a discount, etc.),
- The (expectable) selling price of the stock of private (own-) production on the day of balance sheet preparation is lower than the cost of production.

In the case of the retrieval of devaluation the book value of the stock may not exceed the market value in accordance with Section 62, paragraphs (2)-(3) of the Act on accounting.

The following persons shall be authorised as signatories with respect to the annual report:

**Harin Mehta, Chairman of the Board of Executives**

(address: A 603, Rashumi Avenue, Thakur Complex Kandivli (East) Mumbai – 400 101, India.)

**Jayesh Shah, Member of the Board of Executives**

(address: 29714, Orion Court, Farmington Hills, Michigan 48334, USA.)

**Szilágyi Katalin, Member of the Board of Executives**

(address: 4080 Hajdunanas, Damjanich u.8. Hungary.)

**Sudir Valia Member of the Board of Executives**

(address: 173 Aalap, Hindu Colony, Dadar, Mumbai – 400 014 India)

**Principles of valuation at market value:**

**c) Intangible Assets**

The purchase or production cost of intangible assets reduced with the accumulated depreciation shall be indicated at a value not higher than their known market values. Calculation of depreciation shall be made with the application of the linear method, on the basis of the rate of amortisation required for the accounting of the depreciation of intangible assets during their expectable service life.

In the case of intellectual products the rate of amortisation shall be defined individually, and the capitalised value of the development and research activities shall be accounted in 5 to 10 years as cost of depreciation.

Extraordinary depreciation shall be accounted for intellectual products, if they become useless, become damaged or are destroyed, if they cannot be used any longer for research and development activities, if the activities are restricted, terminated or the development activity is closed without results.

Expectable useful life of intangible assets is the following:

Intellectual products	3 to 10 years
Capitalised value of research and development	5 to 10 years

The residual value in the case of intangible assets is specified individually on the basis of the opinion of the IT department, intellectual products under the purchasing value of 500 USD shall be accounted in full amount.

**d) Tangible Assets**

Tangible assets are included in the balance sheet at purchase value, or at production cost deduced with cumulated depreciation. Calculation of depreciation is made by means of the linear method, on the basis of the rate of amortisation requisite for the depreciation of the value of the assets in the course of their expectable useful lives. The expectable useful lives of assets are the following:

Land and buildings	50 to 100 years
Technological equipment	7 to 10 years

Other equipment

2 to 7 years

The expectable useful life time of tangible assets is defined with regard to the time of their continuous serviceability. The residual value in the case of tangible assets is specified individually on the basis of the opinion of the technical department.

Assets of an individual value of less than 500 USD are considered as low value tangible assets.

The fundamental criteria of the alteration of accounting and retrieval of the budgeted depreciation and extraordinary depreciation are defined in accordance with the provisions of Sections 53, 57, and 58 of the Act on accounting.

#### **d) Invested Financial Assets**

Investments meaning proportion of property are valued at purchase price until their market values permanently decline under their registered value. In this case the market price at the time of balancing shall form basis for the valuation, or– if such is not available – the proportion possessed by the Company in the shareholders' equity as per the statement.

#### **e) Inventory**

The purchased stocks are reported at weighted average price calculated based on purchasing prices.

a. The purchased stocks shall be indicated at reduced value which

1. Do not conform to the relevant regulations (standards, requirements specified in the supply contract, etc.),
2. Do not conform to the originally intended purposes (e.g. due to physical, chemical impacts, or become outdated, etc.) and
3. The sale or usage is doubtful, shall be considered as excess stock (e.g. those that are not marketed any longer, or are not usable owing to the changeover of types, etc.)

b. The closing material stock shall be indicated in the balance sheet with decreased value if the book value of such stocks (at the latest purchase prices) was permanently and significantly higher than that the actual market values thereof known at the time when the balance sheet was prepared.

In case of stocks of private (own-) production (semi-finished and finished products, work in progress) the closing stock is indicated at actual production cost.

Devaluation is accounted for stocks of private (own-) production if:

1. The physical condition of the stock of private (own-) production deteriorated (due to damage, impairment of quality, destruction, etc.),
2. The stock of private (own-) production cannot be used for their originally intended purposes (becoming unmarketable, marketable only with considerable reduction, at a discount, etc.),
3. The (expectable) selling price of the stock of private (own-) production on the day of balance sheet preparation is lower than the cost of production.

Use of inventory is as per FIFO principle.

**g) Receivables**

On the basis of the classification of the customer as debtor the Company accounts devaluation for the outstanding receivables at the balance date of the financial year (including sums lent, or amounts paid in advance, as well as receivable type items existing between accrued and deferred revenues) – on the basis of information available on the day of balancing – in the amount of the – loss type - deviation between the book value of the receivables and the amount of the receivables anticipated to be refunded, if the mentioned difference appears permanently and is of material value.

If on the basis of the classification of the customer as debtor, the amount of the receivables anticipated to be repaid significantly exceeds the book value of the receivables, the difference shall be deduced with the devaluation accounted earlier by means of retrieval. Through the retrieval of the devaluation the booked value of the receivables will not be in excess of the value of registration.

The original registration value of the receivables, or the retrieved and cumulated devaluation accounted in the financial year are itemised according to the balance sheet in Section 6 below.

**h) Securities**

The securities reported among the current assets are indicated in the balance sheet at cost price until their value decreases permanently below the registration value.

**i) Accounting of Securities and Transactions in Foreign Currency**

In accordance with Section 60 of the Act on accounting, - among the optional possibilities - the valuation of the assets and liabilities other than in USD shall be accounted at the middle exchange rate being valid on the day of the transaction and announced by MNB. The profit or loss on the exchange rate due to the exchange rate difference on the day of the effectuation of payment and the actual date of the business transaction shall be reported in the financial statement.

The valuation of assets and sources registered in liquid assets of foreign currency is made in the balance sheet as follows:

The currency supplied recorded in the balance sheet under the currency cash desk line, the foreign exchange on the foreign currency account, additionally all receivables for outstanding payments and liabilities in foreign currency – as classified in accordance with Sections 54-55 of the Act on accounting -, shall be indicated in the balance sheet in USD in accordance with middle exchange rate announced by MNB on the balance day of the financial year. No value limit of effects of the exchange rate difference that could be significant in terms of profit or loss regarding the valuation of assets and liabilities in foreign money value on the balance day is defined by our Company.

The difference of the booked values of foreign exchange in the currency cash desk, and on the foreign currency account, as well as the receivables not in USD, the invested financial assets, securities, and liabilities prior to valuation on the balance day and that of the value in USD on the day of valuation:

a) shall be accounted as loss on exchange rate, if it is loss when cumulated, under the line Other expenses on financial transactions,

## **ALKALOIDA Chemical Company Zrt.**

### **SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

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b) shall be accounted as profit on exchange rate, if it is profit when cumulated, under the line Other incomes from financial activities.

#### **j) Revenues**

The turnover (net sales) shall be accounted on the day of effectuation, excluding value added tax.

#### **k) Provisions**

Our Company forms provisions against the income before tax for the payment liabilities to third parties deriving from past transactions and transactions and contracts in progress (pending liabilities, future liabilities, payment liabilities owing to proceedings in progress), that – according to the information available on the balancing – are expected or are sure to occur, but whose amount or due dates are uncertain at the time of balancing, but the coverage is not otherwise ensured by our Company for such liabilities.

#### **l) Corporate Tax**

Corporate tax shall be accounted in the income statement in pursuance of the tax regulations being in force in the year under review. Our Company shall not pay corporate tax in the tax year concerned owing to the business performance of the year under review.

#### **m) Valuation at Real Value**

ALKALOIDA Chemical Company Ltd.. shall not avail itself of the opportunity of valuation at real value, thus there exists neither valuation difference not valuation reserve for real valuation in the balance sheet, and the income statement includes no valuation difference either.

### **3. FINANCIAL STATUS AND LIQUIDITY**

No financial event occurred following the balance date that would materially influence the report of the Company dated on 31 March 2015.

The rate of the payments is stable due to the good liquidity and financing situation. The rate of the overdue receivables has increased compared to last year's figures.

Hereafter we are presenting the variations of the Lines of the Balance Sheet projected in the view of changes before 31 March 2015.

The balance sheet includes no adjustments pertaining to the previous periods. There is no item in the balance sheet that could be indicated as entry in more than one line in the balance sheet.

The data of the balance sheet – apart from the rearrangements required by the alterations in the provisions of the relevant statutes – are comparable to the relevant data of the previous reporting period.

There are no invisible or unclosed transactions by the balance date, such as pending or certain future liabilities.

There exists no financial liability not indicated in the balance sheet that would be significant in terms of the evaluation of the financial status.

## ALKALOIDA Chemical Company Zrt.

SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

### • composition of assets

Description	Data in USD			
	31/03/2014	31/03/2015	Deviation	Index % 2015/2014
Intangible assets	17,735	46,153	28,418	260.24%
Tangible assets	39,976,395	40,745,591	769,196	101.92%
Invested financial assets	750,049,252	478,117,243	-271,932,009	63.74%
<b>Fixed assets</b>	<b>790,043,382</b>	<b>518,908,987</b>	<b>-271,134,395</b>	<b>65.68%</b>
Inventories	30,946,427	38,368,059	7,421,632	123.98%
Receivables	5,792,536	148,297,471	142,504,935	2560.15%
Securities	0	5,008	5,008	0.00%
Liquid assets	1,158,120	14,341,843	13,183,723	1238.37%
<b>Current assets</b>	<b>37,897,083</b>	<b>201,012,381</b>	<b>163,115,298</b>	<b>530.42%</b>
<b>Accrued and deferred assets</b>	<b>13,747,846</b>	<b>2,193,135</b>	<b>-11,554,711</b>	<b>15.95%</b>
<b>Total of assets</b>	<b>841,688,311</b>	<b>722,114,503</b>	<b>-119,573,808</b>	<b>85.79%</b>

Increase of intangible assets comes from acquisition of softwares in the accounted period.

The increase in the tangible assets has been caused by investments exceeding the net value of the accounted depreciation and of the scrapped tangible assets. The value of the activated capital expenditure is 6,595.3 thousand USD, and the stock of WIP capital expenditure is 1,386 USD in the reported period.

There has been decrease in the invested financial assets during the reported period. The stock of long-term credits given to associated companies within the group has decreased, amount of repaid loans is higher than the same of credits provided.

The inventories have increased in each stock group except unfinished and semi-finished stocks. The significant increase of receivables has been caused by increase in the stock of receivables due from associated companies. Stock of other receivables has decreased.

The stock of the deferred assets has been decreased in the reported period. The stock of the deferred assets has come from increase of the interest incomes from loans given to partner companies (redemption), sum of deferred assets of other, incomes and expenses has increased.

### • composition of sources

Description	Data in USD			
	31/03/2014	31/03/2015	Deviation	Index % 2015/2014
Issued capital stock	133,150,577	268,150,577	135,000,000	201.39%
Capital reserve	156,864,864	316,014,352	159,149,488	201.46%
Profit reserve	-119,038,217	0	119,038,217	0.00%
Tied up reserves	0	0	0	0.00%
Profit or loss per balance sheet	-17,763,863	-19,220,114	-1,456,251	108.20%
<b>Equity capital</b>	<b>153,213,361</b>	<b>564,944,815</b>	<b>411,731,454</b>	<b>368.73%</b>
<b>Provisions</b>	<b>430,100</b>	<b>0</b>	<b>-430,100</b>	<b>0.00%</b>
Deferred liabilities	0	0	0	0.00%
Long-term liabilities	672,513,304	152,357,919	-520,155,385	0.00%
Short-term liabilities	2,201,429	2,590,220	388,791	117.66%
<b>Liabilities</b>	<b>674,714,733</b>	<b>154,948,139</b>	<b>-519,766,594</b>	<b>22.96%</b>
<b>Accrued and deferred liabilities</b>	<b>13,330,117</b>	<b>2,221,549</b>	<b>-11,108,568</b>	<b>16.67%</b>
<b>Total of Sources</b>	<b>841,688,311</b>	<b>722,114,503</b>	<b>-119,573,808</b>	<b>85.79%</b>

## ALKALOIDA Chemical Company Zrt.

### SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

On the side of Sources there has been major changes in the equity capital during the reported period. The board of directors initiated capital increase during the financial year based on 3/2014. Resolution (31 07 2014), by issuing new ordinary shares. The newly issued shares were purchased by SUN Pharma Holdings. Registration by Registry Court happened on 10 September 2014.

The negative profit of the current financial year and of the previous year has reduced the equity capital in both years.

The provisions include the amounts separated for the liabilities connected to legal contests.

The significant decrease in the long-term liabilities is formed by the loans received from the parent company paid for capital stock of loans and for capital reserve.

Accrued and deferred liabilities has decreased significantly due to decrease of interest payment liabilities. The bigger items are the accrued one-month salaries, the energy costs, the innovation fees.

#### • Development of equity capital and liabilities

Data in USD						
Description	31/03/2014	Appropriation	Capital increase and premium	Posting as tied up reserve/release - R&D	Profit or loss according to balance sheet	31/03/2015
Issued capital stock	133,150,577	0	135,000,000	0	0	268,150,577
Capital reserve	156,864,864	0	295,951,568	-136,802,080	0	316,014,352
Profit reserve	-119,038,217	-17,763,863	0	136,802,080	0	0
Tied up capital	0	0	0	0	0	0
Profit or loss per	-17,763,863	17,763,863	0	0	-19,220,114	-19,220,114
<b>Total</b>	<b>153,213,361</b>	<b>0</b>	<b>430,951,568</b>	<b>0</b>	<b>-19,220,114</b>	<b>564,944,815</b>

In terms of the elements of the equity capital the following changes occurred in financial year ended on 31 March 2015:

- **Issued capital stock**  
Issued capital has increased by 135 million USD by issuance of 9,000,000 pieces redeemable shares with 15 USD face value each.
- **Capital surplus**  
Capital surplus has increased by the premium related to capital increase and has decreased by the amount posted up into the profit reserve.
- **Profit reserve**  
Changed by the profit of previous financial year and by the capital reserve posted up.
- **Profit or Loss according to the balance sheet**  
This amount in the accounted period: -19,220,114 USD.

The figures required for the analysis of the financial situation of the Company are included in Annexes 6-7-8.



## ALKALOIDA Chemical Company Zrt.

SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

### 4. SUPPLEMENT TO THE DATA OF THE REPORT

The Company prepares balance sheet type "A", respectively turn over cost method-based profit and loss statement type "A". The balance sheet and the profit and loss statement contain no further breakdown in addition to the breakdown prescribed in the Accountancy Act.

<b>1. Intangible assets</b>	<b>31/03/2015</b>	<b>46,153 USD</b>
	<b>31/03/2014</b>	<b>17,735 USD</b>

The development of the value of the intangible assets during the year is illustrated by those contained in annex No. 1.

During the course of fiscal year finishing on 31 March 2015, the value of the intangible assets of the Company was increased by acquisition of software's:

<b>Description</b>	<b>Data in USD</b>
	<b>31/03/2015</b>
Various softwares	24,316
<b>Total</b>	<b>24,316</b>

The accounting method of the depreciation of the intangible assets has not changed compared to the past year.

<b>2. Tangible assets</b>	<b>31/03/2015</b>	<b>40,745,591 USD</b>
	<b>31/03/2014</b>	<b>39,976,395 USD</b>

The value of the tangible assets developed during the course of the year according to those contained in annex No.2.

In the reporting period the Company continued investments and reconstruction started in 2005, and, as a result, the net value of the stock of tangible assets has increased. Changes is shown in Annex no. 2.

Renewing and expanding of tangible assets are in process.

The method of accounting for depreciation in the case of tangible assets has not changed compared to last year.

### 3. Leased assets

Our Company signed leasing contract on cars with value of 39.155 USD in the reporting period, net value of the same at the end of the reporting period is 22,559 USD.

<b>4. Financial investments</b>	<b>31/03/2015</b>	<b>478,117,243 USD</b>
	<b>31/03/2014</b>	<b>750,049,252 USD</b>

The change in the Company's shares are presented in Annex no.3.

The decrease in holdings is due to change of exchange rate of USD/EUR.

## ALKALOIDA Chemical Company Zrt.

### SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

The stock of long-term loans given to partner companies belonging to the group has decreased due to redemption. At the end of the reported period this sum was 216,869,446 USD.

The balance of other long term loans is zero.

<b>5. Inventory</b>	<b>31/03/2015</b>	<b>38,368,059 USD</b>
	<b>31/03/2014</b>	<b>30,946,427 USD</b>

<b>Data in USD</b>			
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>Index %</b>
Raw Materials and consumables	4,451,645	7,628,744	171.37%
Semi-finished goods and work in progress	14,011,375	10,473,331	74.75%
Live stock	-	-	0.00%
Finished goods	12,483,407	16,362,033	131.07%
Goods	-	-	0.00%
Advance payments for stock, goods	-	3,903,951	0.00%
<b>Total</b>	<b>30,946,427</b>	<b>38,368,059</b>	<b>123.98%</b>

Within the inventory devaluation accounted for the financial year was 104,715 USD concerning purchased stock (in 2014 380,801 USD devaluation was accounted), and 8,198,236 USD (6,752,384 USD in 2014) was accounted as devaluation concerning self manufactured stocks. In case of purchased inventory value of inventory deficit and reject is 7,501 USD (in 2014 6,852 USD), in case of own manufactured inventory it is 168 USD (in 2014 it was 114 USD).

Increase in the value of the purchased materials is caused by significant increase of raw materials and packaging materials, value of technical and other materials has slightly decreased.

The decrease in the stock value of work in progress and semi-finished products is practically caused by the decrease of stock of morphine derivatives.

As for the finished products increase of volume of morphine and codeine stocks is significant, the value of the stocks of finished pharmaceutical products has decreased.

<b>6. Receivables</b>	<b>31/03/2015</b>	<b>148,297,471 USD</b>
	<b>31/03/2014</b>	<b>5,792,536 USD</b>
<b>Trade receivables</b>	<b>31/03/2015</b>	<b>568,808 USD</b>
	<b>31/03/2014</b>	<b>696,150 USD</b>
<b>Receivables from related companies</b>	<b>31/03/2015</b>	<b>143,952,873 USD</b>
	<b>31/03/2014</b>	<b>861,272 USD</b>

Receivables from related companies worth of 143,952,873 USD, part of which is advance provided as well as trade and service receivable.

At the end of the period the Company has no overdue receivables at related parties.

## ALKALOIDA Chemical Company Zrt.

### SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

In 2014, our Company charged devaluation worth 0 USD for overdue receivables, which does not concern related parties. On 31 March 2015 this amount represented 34,868 USD as customer's devaluation.

#### Classification of receivables

Description	Data in USD	
	31/03/2014	31/03/2015
Due receivables	529,178	459,495
Overdue receivables	166,972	109,313
of which: between 0-90 days	166,835	109,313
between 91-180 days	137	-
between 181-360 days	-	-
over days	-	-
<b>Total</b>	<b>696,150</b>	<b>568,808</b>

The change in the devaluation of the receivables during the year developed as below:

Description	Data in USD	
	31/03/2014	31/03/2015
<b>Opening</b>	<b>77,451</b>	<b>29,117</b>
Growth in devaluation	-	34,868
Devaluation writeback	48,334	3,036
<b>Closing</b>	<b>29,117</b>	<b>60,949</b>

The Company charged devaluation only on overdue receivables similarly to the previous year within accounted devaluation.

16,105 USD was accounted as bad debt in the accounting period.

<b>Other receivables</b>	<b>31/03/2015</b>	<b>3,775,790 USD</b>
	<b>31/03/2014</b>	<b>4,235,114 USD</b>

The details of other receivables are shown in the table below.

**ALKALOIDA Chemical Company Zrt.**
**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

<b>Data in USD</b>		
<b>Other receivables</b>	<b>31/03/2014</b>	<b>31/03/2015</b>
Advance payments for services	839	-
Other receivables	29,612	-
Advance payment for salary to employee	7,708	2,241
Direct debit	-	-
Prescribed debt of quit employees	-	-
Advance payments against rendering accounts	993	821
Travel ticket	-	-
Clearance account	21,315	9,726
Refundable VAT	4,133,035	3,722,244
Down payment for travelling	2,861	-
Luncheon vouchers	11,074	16,864
Energy cost support	-	-
Caution	-	-
AMEX card	-	-
Insurance clearance account	-	-
Balance account with employee	-	-
Personal income tax balance	2,592	2,097
Communal tax	10,430	-
Short term loan given to employee	1,974	1,335
Cafeteria	12,681	20,462
<b>Total</b>	<b>4,235,114</b>	<b>3,775,790</b>

From among the balances of the other receivables the below deserve attention: consolidated balance of general ledger numbers 466-468 containing tax reclaim, that slightly decreased by the end of accounted period.

<b>7. Securities</b>	<b>31/03/2015</b>	<b>5,008 USD</b>
	<b>31/03/2014</b>	<b>0 USD</b>

At present the company has own shares purchased from small shareholders.

<b>8. Cash and Bank</b>	<b>31/03/2015</b>	<b>14,341,843 USD</b>
	<b>31/03/2014</b>	<b>1,158,120 USD</b>

The Company has in principle four account-keeping banks in the reporting period. Raiffeisen Bank Zrt., CIB Bank Zrt., ING Bank N.V. Hungarian Branch and OTP Bank Nyrt.

The company has HUF and foreign exchange account at all of the banks mentioned except OTP, account turnover is most considerable at ING. Other part of account turnover is shared by CIB and Raiffeisen in similar rate. At OTP Bank the Company has only HUF exchange account, turnover is little.

<b>9. Prepayments and accrued incomes</b>	<b>31/03/2015</b>	<b>2,193,135 USD</b>
	<b>31/03/2014</b>	<b>13,747,846 USD</b>

**ALKALOIDA Chemical Company Zrt.**
**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

<b>Data in USD</b>			
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>Index %</b>
Services, sold energy	27,994	22,819	81.51%
Interest on deposits tied up	13,549,336	1,801,035	13.29%
<b>Accrued income</b>	<b>13,577,330</b>	<b>1,823,854</b>	<b>13.43%</b>
IT cost	6,198	5,387	86.92%
Car tax	1,178	864	73.34%
Spare parts	-	8,254	0.00%
Fine chemicals consumption	3,000	-	0.00%
Energy supply fee	24,554	11,736	47.80%
Bank Guarantee	-	1,897	0.00%
Insurance fee	10,526	15,221	144.60%
Membership fees	7,103	243,737	3431.47%
Construction and civil engineering tax	114,536	79,686	69.57%
Subscription fees	3,421	2,499	73.05%
<b>Accrued expenses</b>	<b>170,516</b>	<b>369,281</b>	<b>216.57%</b>
<b>Deferred expenses</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Total</b>	<b>13,747,846</b>	<b>2,193,135</b>	<b>15.95%</b>

The amount of deferred income has decreased in the reported period, what is due to the decrease of deferred interest income.

<b>10. Shareholder's equity</b>	<b>31/03/2015 564,944,815 USD</b>
	<b>31/03/2014 153,213,361 USD</b>

We mentioned the changes in capital resources elements in Point 3. Financial status and liquidity.

<b>11. Provisions</b>	<b>31/03/2015 0 USD</b>
	<b>31/03/2014 430,100 USD</b>

Changes of provisions as the following table.

<b>Data in USD</b>			
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>Index %</b>
Pending lawsuits	430,100	-	0.00%
Penalties and fines (air pollution, waste water)	-	-	0.00%
<b>Total</b>	<b>430,100</b>	<b>0</b>	<b>0.00%</b>

The balance of the provisions is represented only by amounts to be paid on expected liabilities (fines related to environment protection regulations) to be shown pursuant to the Accountancy Act, and provisions accumulated for pending lawsuits.

No provisions were made in the current period.

<b>12 Long term liabilities</b>	<b>31/03/2015 152,357,919 USD</b>
	<b>31/03/2014 672,513,304 USD</b>

**ALKALOIDA Chemical Company Zrt.****SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

The long term liabilities are formed from long-term loans given by the parent company as well as amount of beyond year leasing liabilities .

<b>13 Short term liabilities</b>	<b>31/03/2015</b>	<b>2,590,220 USD</b>
	<b>31/03/2014</b>	<b>2,201,429 USD</b>

The short-term liabilities are formed from suppliers' liabilities and other liabilities.  
The stock of the short- and long-term loans is introduced by annex No.4.

**Other liabilities:**

<b>Data in USD</b>			
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>Index%</b>
Amex card account	-	-	0.00%
Distrain	-	-	0.00%
Transfer deposit of employees	-	-	0.00%
Personal income tax	-	-	0.00%
Balance of other liabilities	-	-	0.00%
Social Insurance liability stipulation	-	-	0.00%
Insurance account	-	-	0.00%
Communal taxes	-	29,366	0.00%
Other	-	237,766	0.00%
<b>Total</b>	-	<b>267,132</b>	<b>0.00%</b>

At the end of the reported period balance of other liabilities is from local taxes as well as payment liabilities to subsidiaries and cost of collection.

<b>14. Accrued and deferred liabilities</b>	<b>31/03/2015</b>	<b>2,221,549 USD</b>
	<b>31/03/2014</b>	<b>13,330,117 USD</b>

Classification of accruals as per the following table:

<b>Data in USD</b>			
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>Index%</b>
Deferred income	-	-	0.00%
Deferred costs	1,676,268	1,328,489	79.25%
Deferred expenditures	11,103,426	354,624	3.19%
Accrued income	550,423	538,437	97.82%
<b>Total</b>	<b>13,330,117</b>	<b>2,221,549</b>	<b>16.67%</b>

The details are shown in the below chart.

**ALKALOIDA Chemical Company Zrt.**
**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

Description	Data in USD		
	31/03/2014	31/03/2015	Index%
<b>Total deferred cost and accrued income</b>	<b>13,248,169</b>	<b>2,233,536</b>	<b>16.86%</b>
<b>Deferred costs and expenses</b>	<b>12,779,694</b>	<b>1,683,113</b>	<b>13.17%</b>
Interest on loan	11,103,426	354,624	3.19%
Bonus	-	-	0.00%
Maintanance	152,234	87,489	57.47%
Environmental protection cost	608,795	415,776	68.29%
Audit	4,876	17,503	358.94%
Energy supply	241,914	251,465	103.95%
Wages, staff reduction related costs	506,327	409,254	80.83%
Leasing fee	-	-	0.00%
Safety technology cost	31,042	36,114	116.34%
IT costs	-	-	0.00%
Other service	15,627	13,600	87.03%
Post expenses	665	538	80.91%
Innovation fee	11,381	6,691	58.79%
Fuel cost	4,522	3,101	68.58%
Contract labour cost	91,453	80,143	87.63%
Travel	-	-	0.00%
Wage accounting cost	-	-	0.00%
Transportation cost	6,162	2,994	48.59%
Export commission	1,197	1,825	152.48%
Marketing cost	-	-	0.00%
Material costs	73	1,996	0.00%
Custody account fee	-	-	0.00%
Penalties	-	-	0.00%
<b>Accrued income</b>	<b>468,475</b>	<b>550,423</b>	<b>117.49%</b>
Accrued income	468,475	550,423	117.49%

**15. Net sales**

<b>31/03/2015</b>	<b>12,784,987 USD</b>
<b>31/03/2014</b>	<b>16,170,475 USD</b>

Domestic and export sales as the followings:

Description	Data in USD		
	31/03/2014	31/03/2015	Index%
Domestic	4,033,649	1,169,684	29.00%
Export	12,136,826	11,615,303	95.70%
<b>Total</b>	<b>16,170,475</b>	<b>12,784,987</b>	<b>79.06%</b>

Net sales of the year is 79.1 % of the last year net sales.

**ALKALOIDA Chemical Company Zrt.****SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

Export sales in the accounting period developed as below broken down by geographically separated markets:

Description	31/03/2014	31/03/2015
	USD	USD
Europe	5,655,972	4,245,666
of which: EU	3,752,802	2,956,178
America	532,947	2,676,065
Asia	5,422,124	4,484,178
Africa	516,159	208,318
Australia	9,624	1,076
<b>Total</b>	<b>12,136,826</b>	<b>11,615,303</b>

The company has not got any export subvention in this period.

<b>16. Other income</b>	<b>31/03/2015</b>	<b>498,435 USD</b>
	<b>31/03/2014</b>	<b>138,461 USD</b>

Details as below.

Description	Data in USD	
	31/03/2014	31/03/2015
Revenue from sale of intangible and tangible	6,330	41,900
Revenue related to previous years	-	-
Writeback of receivable devaluation from previous years	48,334	3,036
Other	12,175	13,634
Rounding	-	-
Received delay interest, compensation	21,336	9,765
Provision writeback	-	430,100
Received subsidy for costs compensation	50,285	-
Reclaimed product fee	-	-
<b>Total</b>	<b>138,461</b>	<b>498,435</b>

Provision made before was consumed, and being aware with actual facts new provision was not made.



ALKALOIDA Chemical Company Zrt.

SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

17. Breakdown of cost by types of cost

<b>Data in USD</b>		
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>
<b>Capitalised value of own performance</b>	<b>11,956,421</b>	<b>8,544,633</b>
Capitalised value of self produced assets	-	-
Change in self-produced inventory	5,204,037	346,397
correction of change of stocks/ devaluation	6,752,384	8,198,236
<b>Material related expenses</b>	<b>32,655,368</b>	<b>22,437,025</b>
Material cost	20,139,064	12,158,130
Services rendered	12,171,916	9,907,272
Cost of goods sold	75,266	128,530
Intermediated services	2,325	2,915
Value of other services	266,797	240,178
<b>Staff expenses</b>	<b>7,112,202</b>	<b>7,619,432</b>
Wages and salaries	5,003,768	5,306,091
Personal related expenses	719,835	770,313
Social security contribution	1,388,599	1,543,028
<b>Depreciation and amortisation</b>	<b>2,607,376</b>	<b>2,792,797</b>

17 b. For those who prepare profit and loss statement type turnover cost method

<b>Data in USD</b>		
<b>Description</b>	<b>31/03/2014</b>	<b>31/03/2015</b>
Cost of sales	23,705,878	19,546,354
Cost of goods sold	75,266	128,530
Intermediated services	2,325	2,916
<b>Direct costs of sales</b>	<b>23,783,469</b>	<b>19,677,800</b>
Management costs	5,971,140	4,237,164
Sales, marketing costs	429,420	194,599
Other overhead	234,497	195,058
<b>Indirect costs</b>	<b>6,635,057</b>	<b>4,626,821</b>

<b>18. Other expenditure</b>	<b>31/03/2015</b>	<b>9,441,529 USD</b>
	<b>31/03/2014</b>	<b>8,150,709 USD</b>

Details of other expenditure is shown in the below chart.

**ALKALOIDA Chemical Company Zrt.**
**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

<b>Description</b>	<b>Data in USD</b>	
	<b>31/03/2014</b>	<b>31/03/2015</b>
Devaluation Inventory and receivable	7,133,186	8,337,819
Extraordinary depreciation of tangible assets	0	-
Net value of assets sold	0	1,026
Taxes	6,246	14,074
Fines	68,122	2,188
Non-invoiced discount	-	-
Compensation for damages	525,070	0
Other	10,560	80,794
Scrapping	-	470,162
Late interest	30	259,766
Environment pollution fee	16,781	22,484
Accumulation of provisions	177,320	0
Refunding to OEP	21,178	18,747
Rounding	4,191	6,172
Law suit costs	168	59,868
Other expenditures	187,858	168,429
<b>Total</b>	<b>8,150,709</b>	<b>9,441,529</b>

**19. Result of financial operations**
**31/03/2015 1,160,724 USD**
**31/03/2014 4,195,028 USD**

<b>Description</b>	<b>Data in USD</b>	
	<b>31/03/2014</b>	<b>31/03/2015</b>
<b>Income from fin.transactions</b>		
Other interest received	32,154	28,487
Dividens received	-	-
Interest, int.related revenue, exchange gain	-	-
Exchange gain on sale of shares	-	-
Interest received from related companies	13,571,553	10,879,423
Other revenues from financial transactions	1,975,157	52,964
<b>Revenues from financial trans.</b>	<b>15,578,864</b>	<b>10,960,874</b>
<b>Other expenses related to fin. trans.</b>		
Interest paid	3,203	2,990
Exchange loss on fin. Investments	-63,359	11,530
Interest paid to related companies	11,103,426	3,125,429
Receivables,liabilities, exchange loss	340,566	6,660,202
<b>Expenses on financial transactions</b>	<b>11,383,836</b>	<b>9,800,150</b>
<b>Profit (loss) of financial transactions</b>	<b>4,195,028</b>	<b>1,160,724</b>

**ALKALOIDA Chemical Company Zrt.**

**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

<b>20. Extraordinary profit (loss)</b>	<b>31/03/2015</b>	<b>81,890 USD</b>
	<b>31/03/2014</b>	<b>301,408 USD</b>

<b>Description</b>	<b>Data in USD</b>	
	<b>31/03/2014</b>	<b>31/03/2015</b>
<b>Extraordinary expenditure</b>		
Goods given to parties free of charge	-	669
Own share bought back (withdrawal)	-	-
Book value of released receivables	-	-
Supprt redereed	-	-
Funds transferred definitively	-	2,560
<b>Total</b>	<b>0</b>	<b>3,229</b>
<b>Extraordinary revenue</b>		
Market value of assets received as present	17,795	19,844
Own share bought back	-	-
Assets received free of charge	1,166	716
Other	282,447	64,559
<b>Total</b>	<b>301,408</b>	<b>85,119</b>
<b>Extraordinary profit or loss</b>	<b>301,408</b>	<b>81,890</b>

Extraordinary revenue are the value of surplus assets found, excess inventory stock value while stocktaking. Value of assets received as a gift comes from depreciation of assets got free of cost (waste water sludge composting device) from local Self Government as well as value of materials received free of cost.

**ALKALOIDA Chemical Company Zrt.**
**SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**
**21. Taxation**

Correlation's between the outcome forming basis of accounting and taxation:

	<b>Data in USD</b>	
<b>Corporate Tax</b>	<b>31/03/2014</b>	<b>31/03/2015</b>
<b>Income before taxation</b>	<b>-17,763,863</b>	<b>-19,220,114</b>
<b>Items deductible from income before tax</b>		
Use of provisions	-	430,100
Amount accountable in accordance with Section 17 of the Act on Accounting from the deferred loss of the previous tax years,	-	-
Depreciation accounted as per the act on taxation, and the registration value defined when the asset was derecognised	2,549,850	3,034,773
Dividends received	-	-
Cooperation agreement with educational institutes, 12 % of the minimal wage per student	11,898	-
The amount of previous years impairment reversal	-	-
Irrecoverable receivables, retrieval of devaluation	-	-
Non-repayable subsidies, assets taken over /the retrieved amount shall be considered as revenue in the tax year when the accrued and deferred liability is terminated/	-	-
Employment of disabled persons, less than 20 persons	-	-
Valuation of foreign receivables and liabilities	-	-
Amount of revenue, reduction of expenses settled during the year self-audit	-	-
<b>Total</b>	<b>2,610,082</b>	<b>3,467,909</b>
<b>Items increasing the income before tax</b>		
Provisions	177,320	-
Depreciation accounted as cost and the amount accounted as expenditure when the asset is derecognised	2,607,377	3,262,958
Amount of devaluation accounted as expenditure for receivables	-	34,868
Costs related to activities other than business	8,691	3,229
Binding judgements	68,328	60
Interest amount of average loans over the tree times of issued caital	-	-
Increase of capital reserve as a result of conversion to foreign currency.	-	-
Not realised exchange loss on long term investment	-	-
Valuation of foreign receivables and liabilities	-	-
Difference between market price actual price applied to group companies /interest free loan/	3,816,522	4,489,832
Amount of expenses, reduction of revenues settled during the year self-audit	-	-
<b>Total</b>	<b>6,678,238</b>	<b>7,790,947</b>
<b>Tax base</b>	<b>-13,695,707</b>	<b>-14,897,076</b>
<b>Corporate tax</b>	<b>0</b>	<b>0</b>
<b>Profit after tax</b>	<b>-17,763,863</b>	<b>-19,220,114</b>

## ALKALOIDA Chemical Company Zrt.

### SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

Tax base calculated from income before tax as per modification of effective tax rules is negative.

Following table presents tax base calculated based on income minimum.

Data on prior year are for information only minimum income calculation is concerned for the accounted period.

Description	Data in USD	
	31/03/2014	31/03/2015
Total income	32,189,208	24,329,414
Purchase value of goods sold	77,591	131,446
Adjusted income	32,111,617	24,197,968
2% of adjusted income	642,232	483,959
<b>Tax base</b>	<b>642,232</b>	<b>483,959</b>
<b>Tax liability based on minimum income calculation</b>	<b>102,757</b>	<b>77,433</b>

The tax authority shall be entitled to carry out the auditing of the accounts and books any time within 5 years following the year of taxation under review, and may levy additional tax or fines.

NAV (tax authority) carried out overall inspection from 20 February 2014 to 22 December 2014. The Company inspection covered period between 01 April 2011 and 31 March 2013, considering all tax return by post-checking of reports.

Tax Authority stated charge of tax arrears in its Resolution dated on 19 March 2015 with the amount of 7,085 thousand HUF, out of which 5,305 thousand HUF is rehabilitation contribution, 1,780 thousand HUF is VAT. Beside it the Company was charged with 1,121 thousand HUF as default surplus and 2,702 thousand HUF as penalty and penalty on default. The Company has performed liability.

## 22. Transactions with associated companies in the framework of participation

The following transactions were executed by the Company during the year under review in the framework of participation with associated companies:

Associated Company	Data in USD		
	Customer turnover	Supplier turnover	Customer/Supplier turnover
Reanal Ltd.	5,511	2,860	2,651
<b>Total</b>	<b>5,511</b>	<b>2,860</b>	<b>2,651</b>

## ALKALOIDA Chemical Company Zrt.

SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)

We had following transactions with the affiliated companies.

Data in USD			
Associated Company	Customer turnover	Supplier turnover	Customer/Supplier turnover
SPIL Panoli	3,986,325	-	3,986,325
SPIL Andheri, Mumbai	-	3,177,099	-3,177,099
SPII USA	1,928,983	134,419	1,794,564
Aditya Acquisition Israel	-	154,378	-154,378
SP Europe	183,229	-	183,229
SP Italy	148,355	-	148,355
SP UK	114,381	-	114,381
SP Germany	84,490	-	84,490
SP Spain	37,580	-	37,580
SP France	36,025	-	36,025
TARO Pharm. Canada	20,916	-	20,916
TARO Hungary K.ft.	1,500	-	1,500
Aditya Pharma K.ft.	300	-	300
<b>Total</b>	<b>6,542,084</b>	<b>3,465,896</b>	<b>3,076,188</b>

### 23. Liabilities and pending liabilities

a) Summary on the environmental protection activities implemented in the reported period:

The biological sewage-treatment plant has been operated continuously. The quantity of the discharged cleaned sewage was 696,588 m<sup>3</sup>. The sewage sludge forming during the cleaning and considered to be hazardous waste has been disposed of through composting, at a cost of 283.3 thousand USD.

Hazardous waste has been incinerated during the reporting period, with costs amounting to 195.7 thousand USD. Non hazardous waste has been deposited with costs amounting to 16.5 thousand USD.

The following returns and reports concerning the previous year have been prepared for the environmental protection authority:

- Report on hazardous and non-hazardous wastes,
- Report on air contamination point sources and on organic solvent emission sources,
- Underground water protection data sheets (tank parks and sewage plant),
- Water quality basic and annual reports on sewage emission to surface waters;
- We have calculated the 2014 years' amounts of air and water loading charges payable to tax authority (air loading charge: 705.7 USD, water loading charge: 22.2 thousand USD).

The environmental protection authority has not charged us by water pollution fine for year 2014. Expected amount is 4.6 thousand USD. Charging air pollution fine is not expected.

ENCOTECH Ltd. has prepared study at cost of 2.1 thousand USD on imission of air required by Authority. Read values were under the specified limits.

Három Kör DELTA Ltd. has completed the ground water and shallow ground water monitoring tests, to be performed twice a year as required by the authority, and submitted the authority. Monitoring costs in the first half of the year amounted to 85.4 thousand USD, those of the second half to 89.4 thousand USD.

## **ALKALOIDA Chemical Company Zrt.**

### **SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)**

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The operation of the groundwater discharging system at the contaminated areas marked SZ-I-SZ-VIII-SZ-X by ELGOSCAR-2000 Ltd. was continuous. The operation cost of the system was 265.6 thousand USD in the reporting period.

In connection with the recovery works of the area SZU-II., the total cost of ground work, ground replacement, demolishing, stowage, transportation and waste deposition was 838.1 thousand USD.

The operation of the groundwater discharging system at the contaminated areas marked SZU-II-SZ-VII was continuous. The operation cost of the system including disposing of contaminated air coming from strippers by incineration was 1,213 thousand USD in the reporting period.

Water Law construction authorising design has been prepared for area behind Incinerator, as well as Technical Action Plan for remediation of swallow layer and layer water of SZ-I-SZ-VIII-SZ-X. and SZU-II-SZ-VII. areas with the cost of 10.9 thousand USD. Designs have been approved by competent authority and execution of technical measures have been ordered in a resolution.

#### **24. Business administration, management and board of supervisors**

The executive officers, the members of the executive board and the business administration received no emoluments for their activities in the year.

Management of the Company along with Work Council made an agreement in 2007 on not selecting Board of Supervisors as per opportunity given as per Act on Companies (2006 year IV. Act)

According to the 3/2011 resolution of the extraordinary general assembly on 24 February 2011, on the date of balance the Company switched to accounting in USA dollar (USD) and prepares its annual report in USD.

**ALKALOIDA Chemical Company Zrt.****SUPPLEMENTARY ANNEX FOR THE YEAR ENDING ON 31 March 2015 (Data in USD)****25. Wage figures and staff number**

The development of wages and personal allowances, and the contributions related thereto in the reported period:

<b>Staff group</b>	<b>Average statistical headcount</b>	<b>Wage costs</b>	<b>Contributions of wages</b>	<b>Other Compensation</b>	<b>Staff costs altogether</b>
	<b>persons</b>	<b>Data in USD</b>			
Full-time, blue collar	219	2,475,204	719,789	359,338	3,416,245
Full-time white collar	136	2,775,143	807,012	402,900	3,591,212
Part time employees	5	55,625	16,176	8,075	85,623
Others not in staff	0	119	51	0	19,122
<b>Total</b>	<b>360</b>	<b>5,306,091</b>	<b>1,543,028</b>	<b>770,313</b>	<b>7,112,202</b>

**26. Cash-flow statement**

The Cash-Flow statement dated on 31 March 2015 is included in Annex 5 .

Tiszavasvári, 15 April 2015

Mihály Kaszás  
Company Manager



**INTANGIBLE ASSETS**  
**2014/2015**

Description	Opening 31/03/2014 USD	Addition USD	Deletion USD	Closing 31/03/2015 USD
<b>Gross value</b>				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	2,781,292			2,781,292
Concessions and similar rights and assets k				
Intellectual property	372,032	33,769	2,091	403,711
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
<b>Total</b>	<b>3,153,324</b>	<b>33,769</b>	<b>2,091</b>	<b>3,185,003</b>
<b>Depreciation</b>				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	2,773,256	2,139		2,775,395
Concessions and similar rights and assets k				
Intellectual property	362,333	3,212	2,091	363,454
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
<b>Total</b>	<b>3,135,589</b>	<b>5,351</b>	<b>2,091</b>	<b>3,138,849</b>
<b>Net value</b>				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	8,036	-2,139		5,897
Concessions and similar rights and assets k				
Intellectual property	9,699	30,558		40,257
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
<b>Total</b>	<b>17,735</b>	<b>28,418</b>	<b>0</b>	<b>46,153</b>

**TANGIBLE ASSETS**  
**2014/2015**

Description	Opening 31/03/2014 USD	Addition USD	Deletion USD	Closing 31/03/2015 USD
<b>Gross value</b>				
Land and buildings and related concessions and simila	42,081,604	5,682,534	651,865	47,112,272
Technical equipment, machinery and vehicles	26,259,098	423,251	8,022	26,674,328
Other equipment, fittings and vehicles	9,014,389	489,564	127,103	9,376,850
Breeding stock				
Capital WIP, renovations	3,991,621	3,989,678	6,595,349	1,385,951
Advance payments on Capital WIP	1,047	66,855	26,629	41,273
Revaluation of tangible assets				
<b>Total</b>	<b>81,347,759</b>	<b>10,651,882</b>	<b>7,408,968</b>	<b>84,590,673</b>
<b>Depreciation</b>				
Land and buildings and related concessions and simila	13,167,106	1,086,312	180,678	14,072,740
Technical equipment, machinery and vehicles	22,032,012	902,363	8,022	22,926,353
Other equipment, fittings and vehicles	6,172,246	798,771	125,028	6,845,989
Breeding stock				
Capital WIP, renovations				
Advance payments on Capital WIP				
Revaluation of tangible assets				
<b>Total</b>	<b>41,371,364</b>	<b>2,787,446</b>	<b>313,727</b>	<b>43,845,083</b>
<b>Net value</b>				
Land and buildings and related concessions and simila	28,914,498	4,596,222	471,187	33,039,532
Technical equipment, machinery and vehicles	4,227,087	-479,112	0	3,747,974
Other equipment, fittings and vehicles	2,842,142	-309,207	2,075	2,530,860
Breeding stock				
Capital WIP, renovations	3,991,621	3,989,678	6,595,349	1,385,951
Advance payments on Capital WIP	1,047	66,855	26,629	41,273
Revaluation of tangible assets				
<b>Total</b>	<b>39,976,395</b>	<b>7,864,436</b>	<b>7,095,241</b>	<b>40,745,591</b>

**Long term investments in related companies  
2014/2015**

<b>USD</b>					
<b>Company</b>	<b>Location</b>	<b>Proprietary share (%)</b>	<b>Nominal value</b>		<b>Book value USD 31/03/2015</b>
			<b>Currency</b>	<b>Value</b>	
<b>Domestic</b>					
Reanal Finomvegyszergyár Zrt.	Hungary	21.138	THUF	388,940	2,575,439
<b>Total domestic</b>					<b>2,575,439</b>
<b>Overseas</b>					
Taro Pharmaceutical Industries Ltd	Israel	60.9	ILS	2,711	239,842,016
Sun Ph. Industries (Europe) BV	Netherlands	100	EUR	18,000	19,303
Aditya Acquisition Company Ltd	Israel	100	ILS	1	0
Sun Pharmaceuticals UK Ltd.	Great-Britain	100	GBP	1,000	1,477
Sun Ph Germany GmbH	Germany	100	EUR	25,000	26,810
Sun Pharmaceuticals France	France	100	EUR	37,000	39,679
Sun Pharmaceuticals Italia Srl.	Italy	100	EUR	4,516,157	6,062,295
Sun Pharmaceuticals Spain	Spain	100	EUR	3,100	3,325
TKS Pharmaceutica Ltda.Brazil	Brazil	99.58	BRL	23,307,436	11,749,882
Alkaloida Sweden	Sweden	100	SEK	7,133,445	824,997
Sun Pharmaceuticals Switzerland	Switzerland	100	CHF	100,000	102,574
<b>Total overseas</b>					<b>258,672,358</b>
<b>Total investments</b>					<b>261,247,797</b>

Long term liabilities to related companies								
Lender	Outstanding loan 31/03/2015	Currency	Exchange rate on 31/03/2015	Revaluation USD	Outstanding in original currency			
					Maturity	Below one year	Between 1 and 5 years	Interest rate (p.a.)
Sun Pharma Global FZE	27,340,000	USD	1	27,340,000	2016.03.31		27,340,000	2.56%
Sun Pharma Global FZE	125,000,000	USD	1	125,000,000	2016.03.31		125,000,000	
<b>Total</b>	<b>152,340,000</b>			<b>152,340,000</b>			<b>152,340,000</b>	

## CASH-FLOW STATEMENT FOR THE YEAR 2014/2015 ("A" TYPE)

USD

No.	Designation	Previous year 31/03/2014	Reference year 31/03/2015
	<b>I. Change in cash out of ordinary activity</b> (lines 1-13.)	<b>-170,970,232</b>	<b>-165,524,769</b>
	(operational cash flow)		
1	± Profit or loss before tax	-17,763,863	-19,220,114
2	+ Depreciation charge	2,607,377	2,792,797
3	± Loss in value/write back of loss in value	7,153,715	8,831,754
4	± Difference between provisions made and used	177,320	-430,100
5	± Proceeds from sale of invested assets	-6,330	-40,873
6	± Change in trade accounts payable	786,296	55,891
7	± Change in other short term liabilities	-150,118,500	199,849
8	± Change in accrued expenses	2,344,726	-11,108,568
9	± Change in trade accounts receivables	1,388,245	-464,259
10	± Change in current assets (except for: trade accounts and liquid assets)	-13,340,604	-157,695,857
11	± Change in prepaid expenses	-4,198,613	11,554,711
12	- Corporate tax paid (payable)		
13	- Dividend paid (payable)		
	<b>II. Change in cash provided by operating activities</b> (lines 14-16.)	<b>-10,066,907</b>	<b>-1,935,944</b>
14	- Purchase of invested assets	-10,073,237	-1,977,844
15	+ Sales of invested assets	6,330	41,900
16	+ Dividend received		
	<b>III. Change in cash used in investing activities</b> (lines 17-27.)	<b>180,907,973</b>	<b>180,644,437</b>
17	+ Share issue (capital increase)	150,000,000	430,951,568
18	+ Bond issue		
19	+ Borrowings	46,596,781	-520,155,385
20	+ Repayment, cancellation of long term loans and bank deposits		
21	+ Cash received		
22	- Share withdrawal		
23	- Bond redemption		
24	- Loan repayment		
25	- Long term loans given and bank deposits	-15,688,808	269,848,254
26	- Cash transferred		
27	± Change in liabilities towards the owners and in other long term liabilities		
	<b>IV. Movement in cash and cash equivalent</b> (±I±II±III. lines)	<b>-129,166</b>	<b>13,183,723</b>

<b>LIQUIDITY</b>	2013/2014	2014/2015	CHANGE
Liquidity ratio = $\frac{\text{Current assets}}{\text{Short term liabilities}}$	17.21	77.60	350.8%
Quick asset ratio = $\frac{\text{Current assets} - \text{Stocks}}{\text{Short term liabilities}}$	3.16	62.79	1888.8%
Cash liquidity ratio (cash ratio) = $\frac{\text{Cash and Bank} + \text{Securities}}{\text{Short term liabilities}}$	0.53	5.54	952.9%
Dynamic liquidity = $\frac{\text{Trading (operating) profit (loss)}}{\text{Short term liabilities}}$	-10.11	-7.90	-21.9%
Term indicator (day) = $\frac{\text{Current assets} - \text{Stocks}}{(\text{Material-related expenses} + \text{staff expenses} + \text{Other expenses} + \text{Paid interest and interest related expenses} + \text{Tax payment liability}) / 365}$	42.98	1392.69	3140.2%
Short term operation safety indicator = $\frac{\text{Current assets} - \text{Short term liabilities}}{\text{Short term liabilities}}$	16.21	76.60	372.4%
Long term operation safety indicator = $\frac{\text{Owner's equity} + \text{Deferred liabilities} + \text{Long term liabilities}}{\text{Fixed assets}}$	1.05	1.38	32.3%

<b>DEBT SERVICE</b>	2013/2014	2014/2015	CHANGE
Interest coverage I. = $\frac{\text{Trading (operating) profit (loss)}}{\text{Paid interest and interest related expenses}}$	-2.00	-6.54	226.4%
Interest coverage II. = $\frac{\text{Ordinary entrepreneurial profit (loss)} + \text{Paid interest and interest related expenses} - \text{Received interest and interest related revenues}}{\text{Paid interest and interest related expenses}}$	-1.85	-8.66	367.6%
EBITDA coverage I. = $\frac{\text{Trading (operating) profit (loss)} + \text{Amortisation}}{\text{Paid interest and interest related expenses}}$	-1.77	-5.65	219.2%
EBITDA coverage II. = $\frac{\text{Ordinary entrepreneurial profit (loss)} + \text{Paid interest and interest related expenses} - \text{Received interest and interest related revenues} + \text{Amortisation}}{\text{Paid interest and interest related expenses}}$	-1.62	-7.76	380.3%
Cash-flow coverage = $\frac{\text{Profit (loss) after taxation} + \text{Amortisation}}{\text{Paid interest and interest related expense}}$	-1.36	-5.25	284.8%
Debt repayment ability = $\frac{\text{Profit (loss) after taxation} + \text{Amortisation}}{\text{Liabilities}}$	-0.02	-0.11	371.9%

<b>CAPITAL STRUCTURE</b>	2013/2014	2014/2015	CHANGE
Capital adequacy = $\frac{\text{Owner's equity}}{\text{Assets total}}$	0.18	0.78	329.8%
Rate of indebtedness = $\frac{\text{Liabilities}}{\text{Assets total}}$	0.80	0.21	-73.2%
Net indebtedness = $\frac{\text{Liabilities} - \text{Receivables}}{\text{Owner's equity}}$	4.37	0.01	-99.7%
Capital strain indicator = $\frac{\text{Liabilities}}{\text{Owner's equity}}$	4.40	0.27	-93.8%
Long term indebtedness = $\frac{\text{Deferred liabilities} + \text{Long term liabilities}}{\text{Deferred liabilities} + \text{Long term liabilities} + \text{Owner's equity}}$	0.81	0.21	-73.9%
Liabilities / Tangible assets = $\frac{\text{Liabilities}}{\text{Tangible assets}}$	16.88	3.80	-77.5%
Liabilities / Tangible net worth = $\frac{\text{Liabilities}}{\text{Owner's equity} - \text{Intangible assets}}$	4.40	0.27	-93.8%
Internal generation of equity capital = $\frac{\text{Profit (loss) of the year}}{\text{Owner's equity}}$	-0.12	-0.03	-70.7%

<b>WORKING CAPITAL</b>	2013/2014	2014/2015	CHANGE
Working capital adequacy = $\frac{\text{Current assets} - \text{Short term liabilities}}{\text{Assets total}}$	0.04	0.27	547.9%
Turnaround of working capital = $\frac{\text{Net sales revenue}}{\text{Current assets} - \text{Short term liabilities}}$	0.45	0.06	-85.8%
Short term liabilities / Tangible net worth = $\frac{\text{Buyer stock}}{\text{Supplier stock}}$	0.33	0.31	-6.4%
Short term liabilities / Tangible net worth = $\frac{\text{Short term liabilities}}{\text{Owner's equity} - \text{Intangible assets}}$	0.01	0.00	-68.1%

<b>PROFITABILITY I.</b>		2013/2014	2014/2015	CHANGE
Return on Equity (ROE)	= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity}}$	-11.59%	-3.40%	-70.7%
Return on Sales (ROS)	= $\frac{\text{Profit (loss) after taxation}}{\text{Net sales revenue}}$	-109.85%	-150.33%	36.8%
Return on Assets (ROA)	= $\frac{\text{Profit (loss) after taxation}}{\text{Assets total}}$	-2.11%	-2.66%	26.1%
Profit (loss) after taxation / Working capital	= $\frac{\text{Profit (loss) after taxation}}{\text{Current assets - short term liabilities}}$	-49.76%	-9.69%	-80.5%
Profit (loss) after taxation / Tangible net worth	= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity - Intangible asset}}$	-11.60%	-3.40%	-70.7%
Equity-proportional profit (loss) before taxation	= $\frac{\text{Profit (loss) before taxation}}{\text{Owner's equity}}$	-11.59%	-3.40%	-70.7%
Sales-proportional profit(loss) before taxation	= $\frac{\text{Profit (loss) before taxation}}{\text{Net sales revenue}}$	-109.85%	-150.33%	36.8%
Asset-proportional profit (loss) before taxation	= $\frac{\text{Profit (loss) before taxation}}{\text{Assets total}}$	-2.11%	-2.66%	26.1%
Profit rate of activity 1	= $\frac{\text{Trading (operating) profit (loss)}}{\text{Net sales revenue}}$	-137.66%	-160.05%	16.3%
Profit rate of activity 2	= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Net sales revenue}}$	-127.16%	-211.82%	66.6%
Trading profit (loss) /Owner's equity	= $\frac{\text{Trading (operating) profit (loss)}}{\text{Owner's equity}}$	-14.53%	-3.62%	-75.1%

<b>PROFITABILITY II.</b>		2013/2014	2014/2015	CHANGE
Trading profit (loss) / Assets total	= $\frac{\text{Trading (operating) profit (loss)}}{\text{Assets total}}$	-2.64%	-2.83%	7.1%
EBIT / Assets total	= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Assets total}}$	-2.44%	-3.75%	53.5%
EBIT / Tangible net worth	= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Owner's equity - Intangible assets}}$	-13.42%	-4.79%	-64.3%
EBITDA / Assets total	= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue + Amortisation}}{\text{Assets total}}$	-2.13%	-3.36%	57.7%
Return on Investment (ROI)	= $\frac{\text{Profit (loss) of the year}}{\text{Owner's equity + Deferred liabilities + Long term liabilities}}$	-2.15%	-2.68%	24.6%
Return on Capital Employed (ROCE) (Capital-proportional EBITDA)	= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Owner's equity + Deferred liabilities + Long term liabilities}}$	-2.49%	-3.78%	51.6%
Return on Invested Capital (ROIC)	= $\frac{\text{Trading (operating) profit (loss) * (1 - Company tax rate)}}{\text{Total liabilities - Suppliers - Accruals}}$	-2.26%	-2.39%	5.8%
Profit reinvestment ratio (Rate of capital growth)	= $\frac{\text{Profit (loss) of the year}}{\text{Owner's equity}}$	-11.59%	-3.40%	-70.7%
Gross margin	= $\frac{\text{Sales revenue - (Material related expenses + Staff expenses)}}{\text{Net sales revenue}}$	-145.93%	-135.09%	-7.4%
Export ratio	= $\frac{\text{Net export sales revenue}}{\text{Net sales revenue}}$	75.06%	90.85%	21.0%



**MANAGEMENT REPORT OF  
ALKALOIDA CHEMICAL COMPANY ZRT.  
ON THE COMPANY'S ACTIVITIES DURING FINANCIAL YEAR  
ENDED ON 31 MARCH 2015**

**I. MAIN FEATURES OF THE BUSINESS ACTIVITIES DURING FINANCIAL YEAR FROM 1 APRIL 2014 TO 31 MARCH 2015**

The Company, acting upon the accounting system of the parent company, prepares annual report for the period between 01 April 2014 and 31 March 2015, date of balance is 31 March.

According to the 3/2011 resolution of the extraordinary general assembly on 24 February 2011, on the date of balance the Company switched to accounting in USA dollar (USD) and prepares its annual report in USD.

During the reporting period, the Company realised 12,785 thousand USD net sales revenues, amounting to 79.1 % of the previous financial year. Decrease arises from decrease of domestic sales returns, export revenues decreased with less rate.

Returns from domestic sales amounted to 1,170 thousand USD, while those of the exported products to 11,615 thousand USD.

The share of export sales within total sales of products increased from 81.1 % to 90.1 %, while the ratio of domestic sales decreased from 24.9 % to 9.2 %. The increase of the proportion of the export sales in the accounting period came even the decrease of export income: sale of active pharmaceutical ingredients decreased, sales income of drug products increased.

Among other incomes in the reporting period the most important items include utilisation of provision, realised intangible assets, default interests received as well as write back of calculated depreciation of receivables.

Other income from export did not arise in the reporting period.

**The most important economic data:**

Description	Year		Percentage:	Index: 2015/2014
	2013-2014	2014-2015		
	Data in USD thousand		%	%
<b>Net sales income</b>	<b>16,170.0</b>	<b>12,785.0</b>	<b>96.25</b>	<b>79.07</b>
- domestic	4,033.0	1,170.0	8.81	29.01
- export	12,137.0	11,615.0	87.44	95.70
<b>Other income</b>	<b>138.0</b>	<b>498.0</b>	<b>3.75</b>	<b>360.87</b>
- domestic	138.0	498.0	3.75	360.87
- export	0.0	0.0	0.00	0.00
<b>Operating income</b>	<b>16,308.0</b>	<b>13,283.0</b>	<b>100.00</b>	<b>81.45</b>
Net sales income	16,170.0	12,785.0	96.25	79.07
<b>Net profit per balance sheet</b>	<b>-17,764.0</b>	<b>-19,220.0</b>	<b>-144.70</b>	<b>108.20</b>
Wage costs	5,004.0	5,306.0	39.95	106.04
Number of full-time employees	364.0	360.0	2.71	98.90
Research+development	234.0	195.0	1.47	83.33
Invested assets	790,043.0	518,909.0	3,906.56	65.68
<b>Equity capital</b>	<b>153,213.0</b>	<b>564,945.0</b>	<b>4,253.14</b>	<b>368.73</b>

## BUSINESS REPORT ON FINANCIAL YEAR ENDED ON 31 MARCH 2015

After the last years loss making operation of the Company, the Company's equity has decreased further. In order to compensate the equity loss the Board of Directors decided on capital increase by Board of Directors Resolution no. 3/2014 (31 07 2014) by issuing new ordinary shares. The newly issued shares were purchased by SUN Pharma Holdings. Registration by Registry Court is dated on 10 September 2014.

The Company has concluded business of the reporting year with 19,220 thousand USD loss.

Net income was much below than planned, economic data of the period covered by this report are lower than planned.

The main reasons include: non-profitable production of psychotropic products and accounting of the connected devaluation, lower selling prices and lower volume of the drug products than planned.

The average statistical number of the full time employees has decreased from 364 people to 360 people during the reporting period.

As concerns the 2014-2015 business year, we agreed on average 6,500 HUF / employee (appr. 3.1%) differentiated basic wage increase effective from 01 October 2014.

### **II. THE MARKET SITUATION**

In the financial year of 2013-2014, the Company realised 16,306 thousand USD operating incomes, while the same amounted to 13,283 thousand USD during the reporting period. The income is 18.6 % lower than the same of the previous year.

Distribution of sales by area:

Description	Year		Percentage:	Index: 2015/2014
	2013-2014	2014-2015		
	Data in USD thousand		%	%
<b>Net sales income</b>	16,170.0	12,785.0	96.25	79.07
- domestic	4,033.0	1,170.0	8.81	29.01
- export	12,137.0	11,615.0	87.44	95.70
Other income	138.0	498.0	3.75	360.87
<b>Operating income</b>	<b>16,308.0</b>	<b>13,283.0</b>	<b>100.00</b>	<b>81.45</b>

Composition of sales by product groups:

Description	Year		Percentage:	Index: 2015/2014
	2013-2014	2014-2015		
	Data in USD thousand		%	%
Bulk Drug (API)	13,685.0	9,166.0	71.69	66.98
Finished pharmaceutical products	991.0	2,407.0	18.83	242.89
Other sales	1,494.0	1,212.0	9.48	81.12
<b>Net sales income</b>	<b>16,170.0</b>	<b>12,785.0</b>	<b>100.00</b>	<b>79.07</b>

BUSINESS REPORT ON FINANCIAL YEAR ENDED ON 31 MARCH 2015

Main part of sales income in the financial year of 2014-2015 – similarly to the previous years – comes from export sales income, out of which first of all from sales of active pharmaceutical ingredients but growth of drug products is significant.

Compared with the previous years the most conspicuous change is high decrease of intercompany sales income, for raw materials – primarily Noroxymorphone – as well as for drug products dispatched to the USA, manufactured based on Toll Manufacturing Agreement.

The Company's long term goals continue to be the increase of the sale of drug products and exports of the active pharmaceutical ingredients.

The following table shows the **composition by product groups of the domestic sales:**

Description	Year		Percentage:	Index: 2015/2014
	2013-2014	2014-2015		
	Data in USD thousand		%	%
Bulk Drug (API)	3,081.0	352.0	30.09	11.42
Finished pharmaceutical products	434.0	233.0	19.91	53.69
Other sales	518.0	585.0	50.00	112.93
<b>Net sales income</b>	<b>4,033.0</b>	<b>1,170.0</b>	<b>100.00</b>	<b>29.01</b>

Altogether the domestic sales revenues of the current year was 71.0 % lower than the sales revenues of the previous period.

Domestic sales of products produced by the Company were less in the reporting period than the same of the previous year for active pharmaceutical ingredients and drug product groups as well. Within active pharmaceutical ingredients product group poppy seed sales significantly decreased and active pharmaceutical ingredients income decreased with 50% as well.

The other significant change in the domestic market is the termination of the Toll Manufacturing Agreement concluded with Valeant, as well as stop of manufacturing of Tisacid tablets 30 x.

Due to the before mentioned, volume and value of domestic sales of tablets significantly decreased. Compared with previous years sales of Hydrocodin tablets 20 x were outstanding out of own produced drug products distributed to domestic market.

Within the category of other sales incomes the revenue from energy services and rents are the most determinative, amounting to 585.0 thousand USD in the reporting period, which is more than in the previous year.

**The following tables show the composition by product groups of the export sales:**

**in thousand USD**

Description	Year		Percentage:	Index: 2015/2014
	2013-2014	2014-2015		
	Data in USD thousand		%	%
Bulk Drug (API)	10,603.0	8,814.0	75.88	83.13
Finished pharmaceutical products	558.0	2,175.0	18.73	389.78
Other sales	976.0	626.0	5.39	0.00
<b>Net sales income</b>	<b>12,137.0</b>	<b>11,615.0</b>	<b>100.00</b>	<b>95.70</b>

Our Company's export sales decreased compared to the previous year, amounted to 95.7 % of the sales in the previous year.

For export sales of active pharmaceutical ingredients decrease of revenues was 16.9% , main reason of which that narcotics ingredients were sold with lower volume, as price of the same was still high, and complete documentation is not available for all the ingredients.

On the other hand within the same product group sale volume and income of Noroxymorphone continuously supplied to the parent company increased. For Phenobarbital increase can be seen as well, which is due to the increase of Brazilian demand within the Sanofi group in one respect, on the other hand due to big volume orders by new Russian customers.

The most significant change can be seen for the export drug products, income increased multiple as a result of that the Company manufactures more drug products belonging to different therapeutic groups, which were manufactured before by the subsidiary of Sun Pharmaceutical in the USA, as an alternative manufacturing site based on Toll Manufacturing Agreement.

Supply of the before mentioned products in big volume to the USA was started in this financial year. 5 CBE-30 have been submitted to FDA, submission of 2 is in progress.

An all-time long-term aim of the Company was to increase sale of drug products significantly by more effective utilisation of available capacity. It is under realisation right now and we hope that thanks to marketing activities performed by American colleagues sales will increase by leaps and bounds in the following financial year.

Turnover of drug products manufactured based on Toll Manufacturing Agreement, supplied through MEDA Pharma significantly decreased, while export sales of own produced Bupirone tablets increased.

### **III. BUSINESS POLICY**

#### **Employment policy**

##### **Human resources management**

We started the 2014-2015 business year with headcount of 368 persons (total number of employees), the average number of the permanent staff was 360 persons. On annual average from the employees 1 person was absent permanently. Nearly 31.5% of the employees worked in the production. This headcount, however, did not always satisfy the head count need for the production programme that is why we supplemented the missing staff with hired employees on the average. In addition to the production we had to employ hired staff for the stock management, quality assurance and quality control. On annual bases 95 hired employees helped our work. The reasons of this the replacement of those being absent permanently and the periodical need for extra labour force. On the given territories we arranged the replacement of the scarcity of labour with final internal redirection as well. Thus headcount of quality assurance and EHS increased by 2 people, for energy supply and maintenance 1-1 person was shifted.

In the previous year 21 people joined the Company. We needed the new employees mainly because of the increased tasks in the sphere of the active ingredients production, the quality control and generally because of the replacement of the retired employees.

In the accounting period 25 persons terminated their employment, from these 6 persons white collar worker and 19 persons were blue collar workers. From the leaving employees 8 persons retired, the employment for a definite period of 2 person expired, 6 persons left the Company to work for an other one, 3 persons died, scope of activity of 5 people was stopped, 1 person left the Company with termination with immediate effect. In the accounting period new employees were recruited mainly for quality control and quality assurance.

We closed the financial year with 364 persons. 60.4% of the employees (220 persons) are blue collar workers, among them 91 persons work in the production. These staffs, however, do not always ensure the need of the production programme for headcount that is why we can still ensure the missing labour force through hire since we have only minimal possibilities to the internal redirection.

With regard to the high average age of the staff, we shall be prepared for the replacement some specialists through recruitment on the external labour market as well as ensuring required number of skilled workers and leader for production.

##### **Wage management**

As concerns the 2014-2015 business year, we agreed on 6.500 HUF/ person (appr. 3.1%) differentiated basic wage increase effective from 1 October 2014. In the 2013-2014 business year the average monthly wage bill was 91.0 m HUF, while in the reporting period it was 93 m HUF in average. It means 2.2% wage bill increase. In 2014 inflation rate was -0.2%. Average headcount decreased from 364 to 360 that means 0.8% decrease, so our employees realised 3% wage profit in the real value.

## **Procurement**

Procurements changed significantly. On one hand Alkaloida did not procure poppy head in 2014, due to which 50-60% part of our procurements ceased. Selling poppy seed of the previous year was completed.

Significant volume increase of procurement was for drug product raw materials, excipients and packaging materials, for which procurement volume multiplied. Reason of it is increase of manufacturing of export products marketed in the USA.

In certain groups of materials (solvents, petroleum industrial products) price fluctuations, mainly increases, took place according to the processes of the world market.

Significant disadvantage was caused by stable and continuous rate increase of USD for import acquisitions.

No considerable change in respect of the payment terms occurred as compared to the previous year.

Changes in the production program rendered difficult planning of the procurements; we have succeeded in adjusting the purchases to the changing needs without serious difficulties.

## **Production**

In the Chemistry I. Plant poppy head was processed from April to end of February. Botond poppy head was processed. Total quantity of morphine produced in the period mentioned above was 15,605 kg. Beside it 1,224 kg natural codeine (as sulphate), 876 kg thebaine was produced.

At the beginning of March process of Korona poppy head pellet was started on a trial production line with extraction with ethanol. For the production line mentioned equipment from Morphine section and Opium section were used. In the reporting period 21 kg crude narcotine was produced, while we had to face many technical failures during manufacturing trial batches.

In Chemistry I. Plant Main Section we produced altogether 9,595 kg codeine-sulphate from morphine. In addition to this, together with the Synthetic Drugs Section 1,630 kg oxymorphone was produced, made from purchased thebaine.

In Pilot Plant Section we produced 1,255 kg noroxymorphone, 71 kg noscapine base, 179 kg noscapine HCl (we made both of them from noscapine from Korona poppy straw), 41 kg acenocoumarol and 303 kg Buspiron Hcl. In March removing equipments to be installed in Chemistry II. was started.

In the Chemistry I. Plant Synthetic drugs section we produced 526 kg codeine-phosphate, 231 kg ethyl-morphine HCl and 824 kg pholcodine. In addition to this, we produced 2,300 kg oxycodone for noroxymorphone and 361 kg buprenorfin II. intermediate involving Pilot Plant Section.

In Chemistry I-II. Plant we produced 76,068 kg phenobarbital and 1,395 kg phenobarbital sodium.

## BUSINESS REPORT ON FINANCIAL YEAR ENDED ON 31 MARCH 2015

In Chemistry II. plant we produced 314 kg buprenorfin III. intermediate and 245 kg buprenorfin IV. intermediate.

Last autumn a so called "C" Plant was started to be commissioned at the unused area of the Plant. The aim of it is to shift existing processes into the new plant to reduce costs.

Simultaneously negotiations are in progress to transfer API production to Ch-II. Plant from other sites of the parent company. The root cause of the before mentioned is that the Plant had already been audited by FDA twice without any major observations. Out of the products in question there are two, Carvedilol and Metoprolol which are close to the status of manufacturing in full batch size.

In the Formulation and Packaging Plant we manufactured drug products in the quantity meeting the market requirements.

In the plant we manufactured 117,905,718 pieces of bulk tablets and 4,913,207 pieces of capsules. The packing of these resulted in 1,079,303 packs of pharmaceuticals.

We continue to make the instructions of SUN format (SOP) and the production documents, and we are performing qualifications.

For product transfer the followings were manufactured:

- characterization batches of Venlafaxine tablets, USP 25 mg, 37,5 mg, 50 mg and 3 validation batches (for each strength). Venlafaxine tablets USP 75 mg and 100 mg commercial batches.
- 2<sup>nd</sup> and 3<sup>rd</sup> validation batches of Paroxetine tablets, USP 10 mg, 20 mg, 30 mg, 40 mg (for each strength) and commercial batches.
- characterization batches of Mirtazapine tablets, USP 30 mg, 45mg and 1 validation batch (for each strength).
- characterization batches of Tizanidine tableta, USP 2 mg, 4 mg and 3 validation batches (for each strength) and commercial batches.
- 3 validation batches of HCTZ capsules.
- characterization batches of Carvedilol tablets, USP 3.125 mg, 6.25 mg, 12.5 mg, 25.0 mg and 3 validation batches (for each strength)
- characterization and validation batch of Paromomicyn 250 mg capsule

Characterization and validation batches were manufactured of our own produced products:

- Buspiron 5 mg tablet
- Buspiron 10 mg tablet
- Sertan tablet
- Hydrocodin 10 mg tablet
- Chinidin-Alkaloida 300 mg retard tablet

### **Quality Assurance policy**

Quality Assurance system of the Company is harmonised with the SUN Quality Assurance system. Adaptation of CQ guides and directives is continuous.

Reporting events and incidents, internal audits as well initiating CAPA are continuous.

Handling changes is as per procedures of Change Control and Planned Modifications with cooperation with QA. All the before mentioned ensure compliance with GMP requirements.

In the course of the year the following audits, inspections took place at our company

<b>Customer</b>	<b>Product</b>
Nobelpharma - Japan	Fenobarbital Na
Stada/Blupharma - Germany	Fenobarbital
DSP - Japan	Fenobarbital
Dragenopharma- Germany	Fenobarbital
Vetoquinol - France	Fenobarbital
Teva / Corporate	Fenobarbital
Sanofi / Corporate	Fenobarbital; Fenobatrbita Na; Kodein foszfát
Ranbaxy- Romania	Acenokumarol
Valeant Pharma-Hungary	Phenobarbital
Novartis/ Corporate	Folkodin

There were no critical observations on the audits. Corrective actions on the observations have been implemented.

Customers' audits encumbered resources of QA, but as these are essentially required for sales, we did our best. Thanks to the before mentioned in most part of the audit reports open, honest atmosphere during the audits was emphasised.

GMP compliance of documentation system at high level was also emphasised, which is the evident result of the harmonisation with the SUN QA system.

Authority audits:

In May 2014 US FDA inspected API and drug product production. Form 483 was not issued.

In February 2015 the Hungarian authority – OGYÉI – inspected quality assurance system. There was no any critical or major observation recorded neither for drug product not for the 10 APIs inspected. CAPA plan for minor observations and for recommendations has been submitted to the authority, for 3 years issuance of GMP certificates is ensured for drug products and for 10 APIs which are the followings:

Phenobarbital, Phenobarbital Na, Hydroxichloroquine sulphate, Codeine phosphate, Ethylmorphine HCl, Pholcodine, Dihydrocodeine bitartrate, Szennozid A+B, Acenokumarol, Buspiron HCl.

Beside audits mentioned representatives of Corporate Quality audited the company three times to support us for preparation for the FDA inspection, so called GAP analysis was prepared as well as Corporate Compliance took a one-week audit at the company and inspected quality assurance system.

In December Lachmann Consultant audited is for two days assigned by the Corporate. Corrective actions for the observations were implemented.

Critical complaints, product recall did not happen in the reporting period.

We received total of 12 complaints in the reporting period, 7 for active pharmaceutical ingredient and 5 for drug products. For drug products complaints usually were for quantity, for API mainly for quantity, for packaging or for documentation.



Based on the investigations corrective / preventive actions were identified, implementation and efficiency are monitored continuously.

Validations and qualifications are performed as per the annual plan.

Considerable number of validation was performed for transferred products for manufacturing and for packaging as well.

### **Research and development**

For APIs there was no any development in the reporting period.

For drug products process transfer of products to be transferred from Caraco to Alkaloida practically has already been completed.

For Venlafaxine HCl 25-37,5-50-75-100 mg tablet; Paroxetine 10-20-30-40 mg tablet, Tizanidine 2&4 mg tablet , HCTZ capsule the authority approval is available, manufacturing of 3 validation batches has been completed, and for for the first 3 product groups commercial batches are manufactured depending on customers' demand.

CBE 30 approval of Carvedilol, Mirtazapine and Paromomycin capsule is in progress, for Carvedilol the validation has been completed with succesful manufacturing of the 2<sup>nd</sup> and 3<sup>rd</sup> batches.

After authority approval the manufactured batches can be marketed in the USA.

### **Environmental protection**

The biological sewage-treatment plant has been operated continuously. The quantity of the discharged cleaned sewage was 696,588 m<sup>3</sup>. The sewage sludge forming during the cleaning and considered to be hazardous waste has been disposed of through composting, at a cost of 283.3 thousand USD.

Hazardous waste has been incinerated during the reporting period, with costs amounting to 195.7 thousand USD. Non hazardous waste has been deposited with costs amounting to 16.5 thousand USD.

The following returns and reports concerning the previous year have been prepared for the environmental protection authority:

- Report on hazardous and non-hazardous wastes,
- Report on air contamination point sources and on organic solvent emission sources,
- Underground water protection data sheets (tank parks and sewage plant),
- Water quality basic and annual reports on sewage emission to surface waters;
- We have calculated the 2014 years' amounts of air and water loading charges payable to tax authority (air loading charge: 705.7 USD, water loading charge: 22.2 thousand USD).

The environmental protection authority has not charged us by water pollution fine for year 2014. Expected amount is 4.6 thousand USD. Charging air pollution fine is not expected.

ENCOTECH Ltd. has prepared study at cost of 2.1 thousand USD on imission of air required by Authority. Read values were under the specified limits.

Három Kör DELTA Ltd. has completed the ground water and shallow ground water monitoring tests, to be performed twice a year as required by the authority, and submitted the authority. Monitoring costs in the first half of the year amounted to 85.4 thousand USD, those of the second half to 89.4 thousand USD.

The operation of the groundwater discharging system at the contaminated areas marked SZ-I-SZ-VIII-SZ-X by ELGOSCAR-2000 Ltd. was continuous. The operation cost of the system was 265.6 thousand USD in the reporting period.

In connection with the recovery works of the area SZU-II., the total cost of ground work, ground replacement, demolishing, stowage, transportation and waste deposition was 838.1 thousand USD.

The operation of the groundwater discharging system at the contaminated areas marked SZU-II-SZ-VII was continuous. The operation cost of the system including disposing of contaminated air coming from strippers by incineration was 1,213 thousand USD in the reporting period.

Water Law construction authorising design has been prepared for area behind Incinerator, as well as Technical Action Plan for remediation of swallow layer and layer water of SZ-I-SZ-VIII-SZ-X. and SZU-II-SZ-VII. areas with the cost of 10.9 thousand USD. Designs have been approved by competent authority and execution of technical measures have been ordered in a resolution.

### **Risk Management**

The risks and uncertainties accompanying the Company's operations are originated from the market tendencies typical of the industry, which, at the same time, provide opportunities for the introduction of new products and expansion in the markets.

There were no unusual financial risks inherent in the management, which was why the price, credit, liquidity and cash flow risks were not significant.

#### IV. COMPANY STRUCTURE

**Registered office of the Company: 4440 Tiszavasvári, Kabay János u. 29.**

The Company performs its business activities in Tiszavasvári.

Pursuant to the decision by the Company's foremost body, ALKALOIDA Chemical Company Zrt. is controlled by one person. The leader of the Company represents the Company and also signs this Report.

Beside management auditor of the Company is responsible for internal supervision of Company' management.

Management of the Company alongwith Work Council made an agreement in 2007 on not selecting Board of Supervisors as per opportunity given as per Act on Companies (2006 year IV. Act). Board of Directors have 4 members.

**Auditor: Versatile-Audit Kft.** (4400 Nyíregyháza, Munkás ut. 53) appointed employee: **János Varga** (4400 Nyíregyháza, Kandó Kálmán u. 12.)

#### Equity Capital, Shareholders

**Issued capital: 268.150.577 USD.**

#### Classes of Shares:

7,033,587 pieces of shares with the face value of 0.015 USD each providing general rights, 14,489,167 pieces of shares with the face value of 15 USD each providing general rights, 36,500 pieces of preference shares, 3,344,000 pieces redeemable shares and 3,173 pieces of registered shares for small investors with the face value of 0.015 USD each and 1,342 pieces of own shares . with the face value of 0.015 USD each.

#### **Ownership structure:**

Shareholders	Data in USD									
	Number of shares				Par value (thousand HUF)				Percentage of ownership	
	31/03/2014		31/03/2015		31/03/2014		31/03/2015		31/03/2014	31/03/2015
0.015 -USD	15. -USD	0.015 -USD	15. -USD	0.015 -USD	15. -USD	0.015 -USD	15. -USD	%	%	
Sun Pharma Global FZE	0	3,000,000	0	0	0	45,000,000	0	0	33.80%	0.00%
Sun Pharmaceutical Industries Limited	0	0	0	3,000,000	0	0	0	45,000,000	0.00%	16.78%
Sun Pharma Holdings Limited (korábban Nogad Holdings)	7,033,587	5,869,667	7,033,587	14,869,667	105,504	88,045,005	105,504	223,045,005	66.20%	83.22%
Kisebbségi tulajdonosok	4,515	0	3,173	0	68	0	48	0	0.00%	0.00%
ALKALOIDA Vegyészeti Gyár Zrt.	0	0	1,342	0	0	0	20	0	0.00%	0.00%
<b>Total</b>	<b>7,038,102</b>	<b>8,869,667</b>	<b>7,038,102</b>	<b>17,869,667</b>	<b>105,572</b>	<b>133,045,005</b>	<b>105,572</b>	<b>268,045,005</b>	<b>100.00%</b>	<b>100.00%</b>

#### **Capital structure:**

Description	Data in USD			
	31/03/2014	31/03/2015	Difference 2015-2014	Index % 2015/2014
Subscribed capital	133,150,577	268,150,577	135,000,000	201.39%
Capital reserve	156,864,864	316,014,352	159,149,488	201.46%
Accumulated profit reserve	-119,038,217	0	119,038,217	0.00%
Tied-up reserve	0	0	0	0.00%
Net profit per balance sheet	-17,763,863	-19,220,114	-1,456,251	108.20%
<b>Own capital</b>	<b>153,213,361</b>	<b>564,944,815</b>	<b>411,731,454</b>	<b>368.73%</b>

## BUSINESS REPORT ON FINANCIAL YEAR ENDED ON 31 MARCH 2015

In the reporting period capital of the company was increased by capital increase and premium related to it paid into capital reserve.

In the period accounted, changes in capital structure can be seen as for profit and for profit reserve.

ALKALOIDA Chemical Company Zrt. is an affiliated company.

### **Parent company: Nogad Holdings**

(address: St Louis Business Centre. Cnr Desroches & St Louis Sreets, Port Louis, Mauritius.)

The following persons are authorized to sign the annual report:

### **Harin Mehta, Chairman of the Board of Directors**

(address: A 603, Rashumi Avenue, Thakur Complex Kandivli (East) Mumbai – 400 101 India.)

### **Jayesh Shah, Member of the Board of Directors**

(address: 29714 Orion Court, Farmington Hills, Michigan 48334 USA.)

### **Katalin Szilágyi, Member of the Board of Directors**

(address: 4080 Hajdunanas, Damjanich u.8.)

### **Sudir Valia Member of the Board of Directors**

(address: 173 Aalap, Hindu Colony, Dadar, Mumbai – 400 014 India.)

### **Events after the accounting day**

There were no events after the accounting day that would affect the evaluation of the actual circumstances, and the present report provides a reliable and truthful picture about the Company's assets, financial and income situation, and business operations.

There were no major trends after the accounting day that would affect the evaluation of the actual circumstances.

On behalf of the Board of Directors of ALKALOIDA Chemical Company Zrt.

Tiszavasvári, 15 April 2014

Mihály Kaszás  
Company Manager