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We would like to draw your attention to the fact, that our report on the audit of the annual financial statements is legally binding only as a signed original.

As only the bound report, signed by us, is the result of our audit in accordance with professional standards, we assume no responsibility for the correctness and completeness of this pdf version of our report.

Insofar as this version is made available to third parties, we would like to point out that our liability - to third parties as well - is solely determined by the General Terms of Engagement reproduced in the audit report (General Engagement Terms dated 1st January 2017).

Audit Report

Annual Financial Statements March 31, 2017 and the Management Report for the 2016/2017 Financial Year

Basics GmbH
Leverkusen

- TRANSLATED VERSION OF THE GERMAN ORIGINAL -

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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A. AUDIT ENGAGEMENT

1 Corporate Management of

**Basics GmbH,
Leverkusen,**
(hereinafter referred to as "company")

have engaged us to audit the annual financial statements, under inclusion of the company's accounting records and the management report for the financial year ending March 31, 2017. We have accepted this engagement under the terms of our confirmation letter, dated March 28, 2017

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

3 This report was prepared in accordance with the auditing standard IDW PS 450 "Generally accepted standards for the issuance of long-form audit reports for the audits of financial statements".

4 This audit report is addressed to the legal representatives and the supervisory board of the Company. To the extent that third parties use this audit report for purposes other than those intended internally, we do not accept any responsibility, liability or obligations toward such third parties. The use of the information in this audit report is your own responsibility. In particular, it is your responsibility to decide whether this information is relevant for the use intended. If necessary, you may need to conduct your own examinations or to provide updates.

5 The performance of our engagement and our responsibility, also towards any third parties, are governed by the General Engagement Terms for Wirtschaftsprüfer (*German Public Auditors*) and Wirtschaftsprüfungsgesellschaften (*Public Audit Firms*) as amended on 1 January 2017, attached as an appendix. Accordingly, our liability is limited in accordance with No. 9 of the General Engagement Terms for Wirtschaftsprüfer. Towards third parties, No. 1 (2) and No. 6 of the General Engagement Terms apply.

B. GENERAL FINDINGS

Company's situation

Comments on the assessment of the Company's situation

- 6 Responsibility for the preparation of the management report lies with the Company's management. We have summarized below the particularly important assumptions and the other forecasts contained in the management report that are key to an assessment of the Company's situation:
- In the financial year 2016/2017, the company successfully expanded its discount contracts with Germany's largest tender consortium of the AOK insurance group.
 - Gross revenue increased by nearly 7 per cent compared to the prior-year period, mainly due to the higher number of health insurance discount agreements.
 - Net revenue increased by approximately a third year on year, reaching € 37.6 million. This can be attributed to an increase in tenders for semi-exclusive discount contracts combined with a lower discount level and also to the fact that, in this particular case, a competitor's failure to deliver created an opportunity to supply an additional quantity of a high-volume antibiotic without having to discount it.
 - The rise in current and medium-term assets (up by € 12 million) is primarily attributable to increased cash and cash equivalents (up by € 6.0 million), an increase in inventories (up by € 3.3 million) to ensure the ability to deliver, and to higher trade receivables (up by € 2.7 million) as a result of the rise in revenue.
 - Provisions grew by € 9.4 million year on year, mainly in connection with the expansion of discount business with the health insurance funds.
 - Basics GmbH is expected to perform well going forward. The start of additional new discount contracts is likely to boost sales volumes further in the coming years.
 - The key risks in relation to the discount contract business arise from significant contractual penalties in the event of an inability to deliver as well as impairment risk in relation to the overstocking of products with a relatively low rate of turnover.
 - Opportunities include closer collaboration within the Group network and the development of new lines of business, with a particular focus on ophthalmology and dermatology as sectors of interest.
- 7 On the basis of executing our professional duties in performing the audit, we consider the presentation and assessment of the Company's position as well as its future development as presented by management in the management report to be suitable and accurate.

C. SUBJECT, NATURE AND SCOPE OF THE AUDIT

I. Subject of the audit

8 The company's accounting records, the annual financial statements and the management report constitute the subject matter of our audit.

We point out that the duty to perform proper accounting and to prepare the annual financial statements and the management report is the responsibility of the management of Basics GmbH.

Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping system, and on the management report based on our audit.

An audit of compliance with other statutory provisions only forms part of the scope of the audit to the extent that these other provisions usually impact on the annual financial statements or the management report.

The Company is classified as a middle-sized entity within the meaning of section 267 of the Commercial Code (HGB). For the purpose of the annual financial statements it applies the German generally accepted accounting principles of the HGB.

II. Nature and scope of the audit

9 Our audit has been conducted in accordance with Article 317 of the German Commercial Code and the generally accepted auditing standards (IDW PS 201 and all further auditing standards as applicable). We have examined whether the financial statements and the management report are in compliance with the statutory regulations and any additional regulations within the Articles of Association and adhere to the general principles of proper accounting. Compliance with other statutory provisions only forms part of the statutory audit of the financial statements and the management report to the extent that such provisions themselves in turn would normally affect the financial statements or the management report. The audit is not designed to specifically discover and investigate criminal offences such as, for example, fraud or misappropriation of funds, or to determine whether breaches of regulations unrelated to financial statements and the accounting function have been committed.

We have conducted a risk orientated audit. This implies that the risk of errors or violations of accounting regulations is an essential criterion for determining the nature and scope of our audit procedures. In order to enable us to pass judgement on the legality and the proper nature of accounting, we have, first of all, on the basis of our knowledge of the company's business activities and their legal and commercial environment, taken the risk of error pertaining to the various financial statement items into account.

We planned our audit procedures on the basis of this risk assessment. In doing so, we took into account the economic significance of the audit areas and the nature of the organization of the company's accounting system. The substantive tests encompassed the assessment of plausibility and the audit of evidence on individual transactions.

We conducted our main audit in April 2017 in the company's office. Our audit focussed on:

- Existence and valuation of the merchandise
- Evidence and evaluation of trade accounts receivable
- Completeness and evaluation of accruals.

The audit report was subsequently completed in our offices. We documented the nature and scope of our audit procedures in our working papers. Explanations and documentation required for the audit were readily made available to us by the directors as well as the staff they designated as our contacts.

- 10 According to the **management representation letter** provided to us by the directors, all business transactions requiring accounting have been recorded in the books, the information provided to us was complete and all assets, obligations and risks subject to accounting requirements have been taken into account in the financial statements and the management report.

D. FINDINGS ON AND EXPLANATIONS OF THE ACCOUNTING

I. Compliance with regulations on accounting

1. Accounting system

11 As audit documents were available to us, in addition to the financial statements, the books, inventory listings, receipts, contracts, and other documentation requested by us.

12 The accounting function and records comply with legal requirements and standards of orderly accounting. We have not discovered deficiencies in the audited documents.

The requisite accounting records, invoices and other documents required to gain an understanding of the Company's accounting function are available for inspection and are kept in accordance with standards of proper accounting. Assets and liabilities could be substantiated. We determined that the accounting function complies with statutory regulations and the principles of orderly accounting.

13 The principles of proper accounting when using computer systems have also been observed, according to our audit findings. Our findings show that data processing equipment and applications software function reliably.

2. Annual financial statements

14 The prior year financial statements for the period from April 1, 2015 to March 31, 2016 were audited by us and given an unqualified audit opinion on May 17, 2016.

15 The annual balance sheet as at March 31, 2017 and the profit and loss statement for the period from April 1, 2016 to March 31, 2017 have been properly derived from the accounting records. The classification corresponds to the provisions of the German Commercial Code. The assets were evidenced to us by means of statements of balances and securities, stocktaking lists, confirmations of balances, registers, index files, copies of correspondence and other documents, which, taken as a whole, constitute the legally prescribed inventory.

The company's annual financial statements were prepared in accordance with sections 242 to 256 HGB and the supplementary provisions of sections 264 to 288 HGB.

Recognition and valuation of the assets and liabilities were in accordance with the provisions of the German Commercial Code. The accounting and valuation methods applied by the company are presented in the notes to the financial statements (Appendix 3). They are unchanged in comparison to the previous year. The principle of consistency in the exercise of valuation methods and the use of elective rights was observed.

- 16 The **notes** to the financial statements comply with the legal requirements. The notes to the financial statements meet all legal requirements and include all required disclosures, information about, explanations and justifications of the disclosure, accounting and valuation methods employed for the individual items of the balance sheet and the income statement as well as all requisite supplemental disclosures. We have audited the detailed information in connection with the corresponding items in the financial statements and in preparing the figures for the reporting and, where needed, have explained them in greater detail.

3. Management report

- 17 In our opinion, the management report contains the information and disclosures required by section 289 HGB. It complies with the law and the memorandum and articles of association, its content is plausible, it is consistent with the findings of our audit and, on the whole, provides a suitable view of the Company's situation. Based on the findings of our audit, the management report also accurately presents the significant opportunities and risks of future development.

The Company's management has stated that no events of particular importance occurred after the balance sheet date. Our audit did not reveal any findings to the contrary.

II. Overall statement of the annual financial statements

1. Findings concerning the overall statement of the annual financial statement

18 According to the results of our audit under due consideration of German generally accepted accounting principles the financial statements give a true and fair view of the net assets situation, results of operation and cash flow of the company. Supplemental explanatory notes are not required.

19 In the course of our audit, we did not identify any changes to the valuation fundamentals (choice of accounting and valuation options and use of discretionary powers) or measures which change the factual framework and have a material effect on the company's assets, financial, and earnings position.

Appendix 6 contains details of the legal and tax fundamentals.

2. Significant valuation principles

20 Accounting policies and valuation principles are disclosed in the notes to the financial statements (part of Enclosure 3) in accordance with the German Commercial Code.

The Company's net assets, financial position and results of operations are significantly influenced by, in particular, estimates in relation to the following items in the annual financial statements:

21 The purchased concessions, industrial and similar rights and assets, including licenses for such rights and assets, predominantly relate to licenses for the medication sold and to the right to the name "Basics". The license acquired in 2009 at a cost of k€ 2,360 for the Veratide product is amortized using the straight-line method over the expected useful life of 13 years. Amortization is recognized on the right to the 'Basics' name using the straight-line method over a useful life of 15 years.

Write-downs of k€ 465 (2015/2016: k€ 397) were recognized for merchandise, mainly to reflect the price risk and obsolescence risk. Obsolescence risk was estimated on the basis of the period of time remaining before the expiry date.

22 The other provisions are recognized for all risks and contingent liabilities identified up to the date of preparation of the annual financial statements in an amount based on prudent business practice. They mainly consist of the provision of k€ 47,285 (2015/2016: k€ 41,128) for health insurance fund discounts. This provision covers the discounts that are likely to be granted to discount contract partners in the future. As some of the discount contract partners only settle with the Company once a year, the discounts that are expected to be granted had to be estimated as at March 31, 2017. To calculate the provision for discounts, the Company used statistical market data that it obtained from an independent third party and which is made available with a delay of approximately two to three months. The final two to three months of the financial year were therefore estimated on the basis of the goods sold to wholesale.

3. Economic matters

23 The Company sells pharmaceutical products, predominantly in Germany.

The company is part of the Sun Pharmaceutical Industries group, which is the largest pharmaceutical manufacturer in India and is one of the five largest generic drug manufacturers worldwide. All medicinal products sold by the company must comply with the approval and quality regulations of the German and European regulatory authorities.

The main emphasis of business activities is the purchase and sale of generic drugs which are obtained from affiliated companies mainly from India.

In the German market, the Company participates in invitations to tender issued by statutory health insurance funds. In order to make greater inroads into the discount contract market, the Company established Ranbaxy GmbH, Leverkusen, in 2012 and has entered into a profit-and-loss transfer agreement with it.

Basics GmbH operates in rented premises in Leverkusen. It uses a logistics company for storage of its goods and for shipping.

E. AUDITOR'S REPORT

We issued the following unqualified auditor's report:

"Auditor's report

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system and the management report of Basics GmbH, Leverkusen, for the business year from April 1, 2016 to March 31, 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

F. FINAL REMARKS

Publication or reproduction of the annual financial statements and the management report of Basics GmbH, Leverkusen, for the financial year from April 1, 2016 to March 31, 2017 in a form different from the certified form, which is attached as an Appendix to this report, again requires our consent if our auditor's report is quoted or if reference is made to our audit. We herein refer to § 328 HGB.

Cologne, May 10, 2017
- 54154/K -

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grat von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

APPENDICES

Basics GmbH, Leverkusen

Balance sheet as of March 31, 2017

Assets		€	Status on 31/03/2017 €	Status on 31/03/2016 €	Liabilities and Shareholders' Equity		€	Status on 31/03/2017 €	Status on 31/03/2016 €
A. Fixed Assets					A. Shareholders' Equity				
I. Intangible assets					I. Capital subscribed				
1. Franchises, trademarks, patents, licences and similar rights		1,037,026.03		1,178,620.42	II. Capital reserve		4,875,000.00	4,875,000.00	2,500,000.00
2. Payments in advance		0.00		32,500.00	III. Profit carried forward		754,050.84	190,480.28	190,480.28
			1,037,026.03	1,211,120.42	IV. Profit for the year		703,667.20	563,570.56	563,570.56
II. Tangible fixed assets							8,832,718.04	8,129,050.84	8,129,050.84
1. Other assets, plant, machinery and office equipment		87,779.40		48,017.47	B. Provisions				
2. Advance payments		0.00		17,849.63	1. Tax accruals			277,401.00	133,316.00
			87,779.40	65,867.10	2. Other accruals				42,567,593.50
III. Financial assets							52,282,521.00	42,700,909.50	42,700,909.50
Shares in affiliated companies			25,000.00	25,000.00	C. Liabilities				
			1,149,805.43	1,301,987.52	1. Trade liabilities			58,109.40	84,747.22
B. Current Assets					2. Accounts due to affiliated companies			320,204.47	71,591.76
I. Inventories					3. Other liabilities			1,881,054.93	566,155.51
Finished goods			10,404,347.97	7,082,633.72	- thereof from taxes: € 1,880,136.69				
II. Accounts receivable and other assets					(prior year: € 561,498.11) -				
1. Trade accounts receivable		16,520,128.27		13,853,144.21	- thereof from social security:				
2. Accounts due from affiliated companies		1,125,205.89		1,295,895.38	€ 822.24 (Vorjahr: € 3,137.47) -				
3. Other current assets		63,762.48		62,359.09					
			17,709,096.64	15,211,398.68					
III. Cash in hand and at banks			33,867,993.24	27,907,234.48					
			61,981,437.85	50,201,266.88					
C. Deferred Charges and prepaid Expenses			243,364.56	49,200.43				2,259,368.80	722,494.49
			63,374,607.84	51,552,454.83				63,374,607.84	51,552,454.83

Basics GmbH, Leverkusen

Profit and Loss Account
for the period from April 1, 2016 to March 31, 2017

	€	€	2015/2016 €
1. Sales		37,596,138.61	27,690,245.18
2. Other operating income		82,895.51	1,986,533.54
3. Cost of materials			
Cost of raw materials, supplies and trading stock		-30,726,436.12	-22,591,249.51
4. Personnel expenses			
a) Wages and salaries	-1,923,999.93		-2,515,479.06
b) Social security	-443,673.26		-442,112.17
- thereof for pensions: € 118,972.37 (prior year: € 119,352.38) -			
		-2,367,673.19	
5. Depreciation on intangible and tangible assets		-209,079.69	-261,676.41
6. Other operating expenses		-3,438,369.06	-2,647,310.15
- thereof from foreign currency valuation: € 0.00 (prior year: € 1,613.21) -			
7. Income from profit transfer agreement		-47,370.48	-58,214.99
8. Other interest and similar income		11,857.93	27,256.11
- thereof to affiliated companies: € 0.00 (prior year: € 800.00) -			
9. Interest and similar expenses		0.00	-40,160.15
10. Taxes on income		-198,296.31	-580,295.30
11. Result after taxes		<u>703,667.20</u>	<u>567,537.09</u>
12. Other taxes		0.00	-3,966.53
13. Net income		<u><u>703,667.20</u></u>	<u><u>563,570.56</u></u>

**Basics GmbH,
Leverkusen**

**Notes to the financial statements for the financial year
from April 1, 2016, to March 31, 2017**

I. General

Basics GmbH has its registered seat in Leverkusen and is registered in the Register of Companies of the Local Court in Köln (Reg. No. HRB 49673).

The annual financial statements as at March 31, 2017, were drawn up in accordance with the provisions of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) as are applicable for medium-sized corporations within the meaning of article 267 para. 2 HGB in conjunction with the provisions of the German Limited Companies Act (GmbHG).

The annual financial statements consist of the balance sheet, the profit and loss account and the Annex (including the fixed assets schedule). The profit and loss account is drawn up by the aggregate cost method.

Due to the revision of article 277 para. 1 HGB by the BilRUG, the previous year figures of the sales revenue are not comparable. If article 277 para. 1 HGB had been applied in the version of the BilRUG, the sales of the previous year would have amounted to € 28,091,652.35.

II. Accounting and valuation principles

The valuation of the **intangible** and the **tangible assets** is effected at purchase prices reduced by the scheduled linear depreciation or at the lower value to be attributed.

The following useful lives are stated:

Licenses	5 years
Naming rights	13 - 15 years
Furniture, fixtures and other equipment	3 - 10 years

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

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

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

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

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

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

III. Notes to financial statements

1. Fixed assets

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

The **financial assets** relate to the 100% share in Ranbaxy GmbH, Leverkusen. The valuation is effected at purchase prices. The shareholders' equity of the subsidiary as at March 31, 2017, is € 25,000.00. As at that date, the subsidiary shows an annual deficit before profit and loss transfer of € 47.370,48 which according to the profit and loss transfer agreement of December 12, 2012, was transferred to Basics GmbH.

2. Current assets

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

The **receivables from affiliated companies** relate for the main part to receivables from the delivery of goods and cost allocations to Sun Pharmaceuticals Germany GmbH (T€ 1,010).

3. Other provisions

The other provisions comprise the following main items:

	T€
Invoices not yet settled	51,675
Human resources	304
Financial statement expenses	<u>26</u>
	<u>52,005</u>

The invoices not yet paid relate in particular to outstanding settlements under discount agreements made with various health insurance providers (T€ 47,285). The amount of the provisions set up so far is estimated for the main part on the basis of external market data obtained for the relevant quantities of the products included in the discount agreements. If and when such market data are not yet available, the estimate of the quantities sold is effected on the basis of the quantities sold to the pharmaceutical wholesalers.

4. Liabilities

The liabilities are all due within less than one year.

IV. Notes to profit and loss account

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

	T€
Sales from the sale of products	36,735
Sales from the performance of services	<u>861</u>
	<u>37,596</u>

The significant item of the **other operating income** (T€ 83) covers revenues from the benefits in kind offered to the employees (T€ 63). The previous year figure included the retransfer of a reserve for expenses in connection with product approvals (T€ 1,026) as extraordinary revenue.

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

	T€
Administrative expenses	2,267
Marketing and distribution expenses	941
Expenses for approval and quality assurance	<u>230</u>
	<u>3,438</u>

V. Other information

1. Other financial obligations

As at March 31, 2017, there are other financial obligations from rental and leasing agreements to the amount of T€ 445 that are due before February 28, 2021. The objects of the leasing agreements are for the most part vehicles and office equipment and furnishings.

2. Staff

The company's staff comprises 32 employees on an annual average three of whom were temporary employees.

3. Management

In the financial year under review,

Hellen de Kloet, pharmacist, Bennebroek, Netherlands,

was the appointed director.

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

4. Supplementary report

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

5. Appropriation of net income

The financial year closes with an annual net profit of T€ 704 ab. The director recommends that the balance sheet profit to the amount of € 1,458 should be carried forward to new account.

6. Group affiliation

Basics GmbH is a wholly owned subsidiary of Ranbaxy (Netherlands) B.V., Amsterdam/Netherlands, and is integrated in the consolidated financial statements of Sun Pharmaceutical Industries Limited, Mumbai/India.

The consolidated financial statements of Sun Pharmaceutical Industries Limited can be inspected at <http://www.sunpharma.com/investors/annualreports>.

Leverkusen, May 8, 2017

Basics GmbH,
Leverkusen

Hellen de Kloet

**Basics GmbH,
Leverkusen**

**MANAGEMENT REPORT FOR THE FINANCIAL YEAR
FROM APRIL 1, 2016, TO MARCH 31, 2017**

Object of the company

Basics GmbH for the most part distributes generic pharmaceuticals of the Indian company Sun Pharmaceutical Industries Limited (Sun Pharma). Sun Pharma is the largest pharmaceutical enterprise in India and the fourth largest producer of generics worldwide.

With its portfolio of products, Basics GmbH operates in the German health market, the focus being laid on generics for the pharma market. The principal customers are wholesalers and pharmacies.

Economic report

General framework and business trend

The generics market in Germany

In the period under review from April 1, 2016, to March 31, 2017, the total sales of generics amount to almost 7.2 billion euros (source: Insight Health, 2017). That means a sales plus of approx. 3 % compared to the previous period (source: *ibid.*).

In 2016, 77 % of the demand of the health insurance providers for drugs related to generics which concurrently accounted for approx. 9 % of the real costs of pharmaceuticals of the statutory health insurance providers (market data Pro Generika 02/2017).

On the German pharmaceuticals market, so-called discount agreements have taken root in the generics segment (generics, former originals whose patent has expired) as a permanent feature. In the period under review from 04/2016 to 03/2017, the share of the generic preparations sold under discount agreements in medical prescriptions was 57 % (source: Insight Health NVI-KT, 2017). With regard to the Act on the Reform of the Market for Medicinal Products (AMNOG), the health insurance companies continue to rely on discount agreements. In 2016 alone, these agreements brought the health insurance companies savings to the amount of 3.9 billion euros which exceed those of the previous year by approx. 300 million euros (market data Pro Generika 02/2017).

The price competition remains intense. In addition, the maintenance of the co-payment exemption option and the additional reduction of the reference amount of individual products - part of which are significant - will continue to produce effects on profitability. In the period under review, the range of products of Basics was affected with regard to adjustments of the reference prices for, among others, the molecules amoxicillin+clavulan acid, clopidogrel, gabapentin, escitalopram, esomeprazole and pantoprazole.

For the period from 04/2016 to 03/2017 under review, the top 25 generic drug producers in Germany in the area of prescription drugs rank as follows:

Rank	Producer	04/2016-03/2017 Sales ApU* (in millions of €)	04/2016-03/2017 Growth (in %)
1	ratiopharm	489.2	18%
2	Hexal	394.2	-9%
3	1 A Pharma	381.2	2%
4	Zentiva Pharma	365.6	-6%
5	Aliud	361.0	7%
6	TAD Pharma	293.0	15%
7	Heumann	250.5	47%
8	Neuraxpharm	146.8	-2%
9	ABZ Pharma	144.1	-17%
10	Medac	140.7	4%
11	Aristo Pharma	116.3	8%
12	Heunet	111.7	37%
13	Basics	108.4	7%
14	Mylan dura	102.0	-7%
15	betapharm	91.4	1%
16	Stadapharm	90.2	-41%
17	Glenmark	80.4	28%
18	Aurobindo	77.3	59%
19	Teva	77.2	-12%
20	Meda Pharma	74.0	5%
21	PUREN Pharma	71.8	-57%
22	Falk	71.5	5%
23	Pfizer Ph.PFE	60.9	-12%
24	Jenapharm	46.3	0%
25	Kade/Besins	45,1	11%

*) ApU = Sales price of pharmaceutical companies
Source: Insight Health NPI 2017

As in the previous years, the German generics market was for the most part dominated by the top 3 groups of companies - Novartis (Hexal/Novartis/Alcon), Teva (Teva/Ratiopharm/ABZ) and Stada (Stadapharm/Aliud/cell pharm) - which together had a market share of 39 % of the sales volume (source: Insight Health, 2017). These groups of companies are most successful in using their broad and deep portfolio and their offering strategies to be awarded a great part of the discount agreements tendered by the health insurance companies.

In the period under review, Basics GmbH climbed from the number 15 to the number 13 position of the best-selling generics companies (source: Insight Health, 2017). As against the same period of the previous year, the gross sales increased by 7 % to more than 108 million euros. The subsidiary Ranbaxy GmbH, however, fell from rank 46 in the previous year to rank 52 and showed a decline in sales of approx. 7 %.

In the financial year under review, too, numerous statutory health insurance providers launched invitations to tender for discount agreements in which Basics GmbH took successfully part. In addition, in the period reviewed, several discount agreements with various health insurance companies became effective which had been tendered for in the previous year and had been awarded to Basics GmbH. Particular mention is to be made of the successful increase in discount agreements with Germany's largest tendering consortium of the AOK companies: During the period from 04/2016 to 03/2017, Basics started with AOK discount agreements for three molecules (aciclovir, fluconazole, and olanzapine).

In the financial year from 04/2016 to 03/2017, Basics GmbH introduced new pharmaceuticals for three molecules. These also include various products intended to diversify dosage strengths and packaging sizes of existing substances with a view to optimizing competitiveness by complete coverage.

EARNINGS SITUATION

As in the previous years, the growth driver for the transactions of Basics GmbH is the expansion of the discount business with the health insurance companies.

In the period under review, the company was able to increase its gross sales by approx. 7 % as against the same period of the previous year. This is due in particular to the increase in the number of discount agreements with health insurance providers.

The net sales rose to 37.6 million euros (forecast at the beginning of the financial year: 30 million euros). This is an increase by about one third as against the previous year which can be explained by the trend that the health insurance companies increasingly rely on semi-exclusive discount contract tenders to avoid dependence on an exclusive discount contract partner. On the tenderer's side, semi-exclusive contracts tend to enable Basics GmbH to submit tenders with lower discount rates. On the other hand, discount contract partners often fail to deliver, such failures being compensated by the other contract partners or the competitors without discount contract, without, in the latter case, a discount being paid to the health insurance provider. In this respect, the company could benefit significantly when a competitor was not able to deliver a high-volume antibiotic in the peak season (autumn-winter).

With 18.3 %, the gross yield margin showed a slight decline.

Due to the application of the Accounting Directive Implementation Act (BilRUG) in the year under review as well as the process adjustments within the group of companies made in the previous year and the associated restructuring measures and one-off effects, a comparison with the other operating income and expenses is possible only to a limited extent.

The personnel cost ratio is of the order of 6.3 %. This ratio is expected to remain stable in the new financial year.

As a result of the decreasing depreciation of intangible assets, the expenses for depreciation have decreased by T€ 53.

After deduction of income taxes, the profit for the year is 0.7 million euros (previous year: 0.6 million euros).

FINANCIAL SITUATION

The financial situation of the company is to be qualified as very stable. The financial management aims to always settle payables within the time allowed for payment and also to collect receivables within the period allowed.

As a result of the regular depreciation, the non-current assets have decreased by 0.2 million euros to 1.1 million euros.

The short-term to medium-term assets have increased by 12.0 million euros as against the previous year and now amount to 98.3 % of the balance sheet sum (previous year: 97.5 %).

The rise results for the most part from the increase in liquid funds by 6.0 million euros and the increase in trade receivables due to the higher sales volume (+2.7 million euros).

To ensure ability to supply within the scope of new discount agreements, the inventories were further augmented, which has resulted in the stock on hand having increased by 3.3 million euros.

As a result of the expansion of the discount business with the health insurance providers, the other provisions have increased by 9.4 million euros compared to the previous year.

Accordingly, the balance sheet total has increased by 11.8 million euros.

The capital structure is good. As a result of the increased balance sheet total, the equity ratio now is 14 % (previous year: 16 %).

Financial and non-financial performance indicators

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

With net sales of 37.6 million euros and an operating result of 0.9 million euros, an EBIT of 2.5 % of the sales is obtained. The figures budgeted were 25 million euros for net sales and an EBIT as a percentage of sales of 3 %.

The number of employees as a non-financial performance indicator is 30 as at March 31, 2017 (31/03/2016: 36).

Forecast report

We continue to rate the probable future development of Basics GmbH as positive. The pharmaceutical industry will offer a great growth potential in the area of generics particularly with regard to the conclusion of further discount agreements if service, price and quality are consistently aligned with the customers' requirements.

Accordingly, effects increasing sales are expected from the start of other new discount agreements in 2017 and the ensuing years. Among these effects both, the extension of existing discount partnerships and the conclusion of agreements on additional substances with all large German statutory health insurance funds and the confederations of these funds are to be expected. As we have already been awarded molecules, the agreement for which will start in the upcoming financial year, the further increase in sales is ensured. As an example, in June 2017, non-exclusive discount agreements with the AOK insurance

providers will start which Basics GmbH has concluded for another two years for four molecules. Likewise, in the middle / at the end of 2017, discount agreements will start on a multipartite level for six molecules with DAK, Germany's fourth largest health insurance provider. In this connection, it is of particular importance that the ability to supply the products is ensured by a professional product management system and that the inventories are subjected to continuous inspection.

For the current new financial year the introduction of various new molecules is planned. This includes expansions of, and additions to, the existing portfolio which will both increase competitiveness and produce positive effects on the net income.

The sales projection for the period from April 1, 2017, to March 31, 2018, states 37 million euros and reflects, in contrast to the sales of the year under review (37.6 million euros), no particular effects as described in the chapter "Financial situation". The expected EBIT with respect to sales is 2-4 %.

Risk report

As a general rule, the discount agreement business on which Basics GmbH has focussed its activities involves certain risks, among these contractual penalties - which in part are not negligible - in the case of inability to supply or depreciation expenses that may be produced by low-inventory turnover ratios of products with a comparatively small sales volume. The latter may increase the necessity for carrying out write-downs. To minimize these risks and to ensure continuous supplies of products meeting the demand, internal processes are optimized continuously.

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

Owing to the stability of the liquidity and equity situation of our company, liquidity risks are at present not recognizable. Liquidity problems are not to be expected.

Major foreign currency risks which might have an influence on the financial and earnings position of the company do not exist. Supplies of goods from countries outside the euro region are settled in euros.

Opportunities report

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

The following focusses and opportunities have been identified:

- the extension of the product ranges by additional dosage strengths, dosage forms or packaging sizes,
- the increased cooperation within the corporate group, and
- the opening-up of new business areas.

Particular stress will be laid on the creation of business areas in the fields of ophthalmology and dermatology.

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

Overall assessment

In our opinion, the future development is associated with risks due to the highly competitive surroundings in the area of discount agreements in particular, to the rising purchase prices and the stagnating sales price level as a result of permanent legal regulatory measures.

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

Leverkusen, May 8, 2017

The Director

Hellen de Kloet

APPENDIX 5

In accordance with the final results of our audit of the Annual Financial Statements at 31. März 2017 and the management report of Basics GmbH, Leverkusen, we have issued the following

Auditor's Report

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system and the management report of Basics GmbH, Leverkusen, for the business year from 1. April 2016 to 31. März 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, May 10, 2017

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Graf von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

APPENDIX 6

Legal and fiscal situation

Name of company, Place of registration

Basics GmbH, Leverkusen

Commercial Register

District Court of Cologne - HRB 49673

Object of the company

Manufacturing and selling pharmaceutical products

Partnership Agreement

Version dated December 12, 2013

Capital and shareholder

Ranbaxy (Netherlands) B.V. (Niederlande)	€ <hr/> 4,875,000.00
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Management

Hellen de Kloet, Bennebroek (Niederlande)

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

People with commercial power of attorney

Hilmar Kerper, Mettmann
Ahmed Banjaddi, Leverkusen

Financial year

April 1 to March 31 of the following year

Shareholders' Meeting

An ordinary shareholders' meeting took place on October 13, 2016; the following resolutions were passed:

1. The annual financial statements of Basics GmbH as at March 31, 2016 are adopted.
2. The net profit for the year 2015/2016 amounting to € 563,570.56 is carried forward to new account.
3. Discharge is granted to the company's directors.

Tax status

The company is registered with the Leverkusen Tax Office under the tax number 230/5701/1303.

The last tax audit covered the period 2010 to 2012 and was completed in the 2015/2016 financial year.

General Engagement Terms

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

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.



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