

**SUN PHARMACEUTICALS France SAS**  
Statutory auditors' report on the financial statements  
For the year ended March 31<sup>st</sup> 2015

To the sole Shareholder,

In compliance with the assignment entrusted to us by your decision of the sole Shareholder, we hereby report to you, for the year ended March, 31<sup>st</sup>, 2015, on:

- the audit of the accompanying financial statements of the SUN PHARMACEUTICALS FRANCE Company;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the President. Our role is to express an opinion on these financial statements based on our audit.

**I. Opinion on the financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at March 31<sup>st</sup>, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

**II. Justification of our assessments**

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention that these assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

**III. Specific verifications and information**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Nîmes, May 13, 2015

The statutory auditors

*French original signed by*  
SOFIRA AUDIT  
Olivier JOURDANNEY

**SUN PHARMACEUTICALS FRANCE**

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78600 MAISONS LAFFITTE

**Financial Statements as at March 31, 2015**

Siret : 51040903000028

Code APE : 4773Z



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**Financial statements**





**BALANCE SHEET ASSETS**

		Note	Period N, closing at:		31/03/2015	31/03/2014	
			Gross 1	Provision for depreciation 2	Net 3	Net 4	
Capital subscribed, uncalled		(I) 30					
<b>CAPITAL ASSETS</b>	<b>INTANGIBLE ASSETS</b>	Formation expenses					
		Development costs					
		Franchises, patents and other similar rights		559	559		
		Goodwill (1)					
		Other intangible assets					
		Intangible assets in progress					
	Payments on account						
	<b>TANGIBLE ASSETS</b>	Land	31				
		Buildings					
		Plant, machinery and equipment					
Other tangible assets		125 469		84 626	40 843	62 017	
Fixed assets in progress							
Payments on account							
<b>FINANCIAL ASSETS (2)</b>	Participating interests (equity method)						
	Other participating interests						
	LT receivables from related companies						
	Portfolio investments						
	Other fixed securities						
	Loans						
Other financial assets		10 800		10 800	10 800		
<b>Total (II)</b>			<b>136 828</b>	<b>85 185</b>	<b>51 643</b>	<b>72 817</b>	
<b>CURRENT ASSETS</b>	<b>INVENTORIES</b>	Raw materials and supplies	32				
		Work in progress - goods					
		Work in progress - services					
		Semi-processed and finished goods					
	Goods held for resale		1 104 561	6 302	1 098 259	1 869 019	
	Payments on account made	33				1 409	
	<b>RECEIVABLES</b>	Trade notes and accounts (3)	34	893 170	2 447	890 723	1 141 805
		Other receivables (3)	34	235 252		235 252	206 583
	<b>OTHER</b>	Capital subscribed, called yet unpaid					
		Investment securities (includ. shares: )	35				
Cash instruments							
Cash		576 168		576 168	261 284		
<b>ADJUSTMENT ACCOUNTS</b>	Prepaid expenses (3)	36	5 416		5 416	5 679	
	<b>Total (III)</b>		<b>2 814 567</b>	<b>8 749</b>	<b>2 805 818</b>	<b>3 485 780</b>	
	Expenses of issue of loans to be spread out	(IV)					
	Premiums on redemption of debt securities	(V)	36				
Translation differences (assets)	(VI)						
<b>GRAND TOTAL (I à VI)</b>			<b>2 951 395</b>	<b>93 934</b>	<b>2 857 462</b>	<b>3 558 596</b>	
References : (1) including leasehold acquisition cost :		(2) Short term financial investments		(3) Amouth falling due + 1 year			
Reserve of title as security :	Fixed assets :	Inventories :		Receivables :			



**BALANCE SHEET LIABILITIES**

		Note	31/03/2015	31/03/2014
<b>SHAREHOLDER EQUITY</b>	Legal or share capital (1) (of which, paid up: 37 000 )		37 000	37 000
	Premiums on share issues, mergers, contributions			
	Appraisal increase credit (2) (including difference via equity method )			
	Legal reserve (3)			
	Statutory or contractual reserves			
	Regulated reserves (3) ( Including special reserve for changes in price rates )	40		
	Other reserves ( Including reserve for purchases of original works by live artists )			
	Retained earnings carried forward		-254 181	-270 065
	<b>NET INCOME OR LOSS OF THE PERIOD</b>		5 338	15 884
	Investment subsidies			
Regulated provisions				
<b>Total (I)</b>			<b>-211 843</b>	<b>-217 181</b>
<b>OTHER SHAREHOLD. EQUITY</b>	Income from issues of equity interests	41		
	Conditional subsidies			
<b>Total (II)</b>				
<b>PROVISIONS FOR CONTING. &amp; EXPENSES</b>	Provision for contingency	42		
	Provision for expenses			
<b>Total (III)</b>				
<b>LIABILITIES (4)</b>	Convertible debenture loans			
	Other debenture loans			
	Sums owed to lending institutions (5)		3 856	1 745
	Sundry financial debts and borrowings (Including shareholder borrowings )		1 269 359	173 731
	Payments on account received on orders in progress	43	7 758	318
	Trade notes and accounts payable		1 486 684	3 410 294
	Tax and social liabilities		211 930	186 492
	Liabilities to fixed asset suppliers and related accounts			
	Other liabilities		89 718	3 197
Cash instruments				
Adjustm. accounts	Prepaid income (4)	44		
<b>Total (IV)</b>			<b>3 069 305</b>	<b>3 775 778</b>
Translation differences (liabilities)		(V) 44		
<b>GRAND TOTAL (I to V)</b>			<b>2 857 462</b>	<b>3 558 596</b>
<b>Footnotes</b>	(1) Appraisal increase credit incorporated into the capital			
	(2) Including	Special revaluation reserve (1959) Appraisal increase credit (2) Revaluation reserve (1976)		
	(3) Including special long term gains reserve			
	(4) Prepayments (income and expenses) within one year		1 799 946	3 775 778
	(5) Including current bank borrowings, bank and post office account (CCP) credit balances		3 856	1 745





## PROFIT AND LOSS ACCOUNT FOR THE PERIOD

				Note	31/03/2015	31/03/2014
Number of months in period					12	12
OPERATING INCOME			1 - France	2 - Export	Total	Total
	Sales of goods held for resale		5 383 637	81 866	5 465 502	7 377 575
	Production sold	goods				27 307
		services				
	NET TURNOVER (14)		5 383 637	81 866	5 465 502	7 404 882
	Production taken into inventory					
	Production capitalised					
Operating subsidies						
Provisions and depreciation written back, charges transferred (9)				80 359	50 121	
Other income (1) (11)				1 381	29	
Total operating income (2) (I)				50	5 547 242	7 455 031
OPERATING EXPENSES	Purchase of goods held for resale (including customs duty)				3 543 836	5 113 134
	Inventory changes (goods held for resale)				778 666	-253 095
	Purchases of raw materials and supplies (including customs duties)				164 041	97 870
	Changes of inventory (raw materials and supplies)					
	Other purchases and external charges (3) (6bis)				465 498	1 763 360
	Taxes, levies and similar payments				59 159	62 409
	Wages and salaries			51	288 260	301 536
	Payroll charges (10)				137 113	140 314
	Appropriation to depreciation of fixed assets				21 173	24 779
	Appropriation to provisions for fixed assets					
	Appropriation to provisions for current assets				6 326	17 376
	Appropriation to provisions for contingency and expenses					
Other expenses (12)				25	298	
Total operating expenses (4) (II)					5 464 098	7 267 982
<b>1 - OPERATING INCOME OR LOSS (I - II)</b>					<b>83 144</b>	<b>187 049</b>
INTER-ENTITY TRANSACTIONS	Profit appropriated or loss transferred (III)			52		
	Loss appropriated or profit transferred (IV)					
FINANCIAL INCOME	Financial income from participating interests (5)			53		
	Other investment income and amounts owed (5)					
	Other interest and similar income (5)				1 399	2 564
	Provisions written back and charges transferred					
	Foreign exchange gains					1
Net gains on realisation of investments held as current assets						
Total financial income (V)					1 399	2 565
FINANCIAL CHARGES	Allocation to financial assets and provisions			54		
	Interest and similar charges (6)				10 989	
	Foreign exchange losses					
	Net charges on realisation of investments held as current assets					
Total financial charges (VI)					10 989	
<b>2 - FINANCIAL PROFIT OR LOSS (V - VI)</b>					<b>-9 590</b>	<b>2 565</b>
<b>3 - CURRENT INCOME OR LOSS BEFORE TAX (I-II+III-IV+V-VI)</b>					<b>73 554</b>	<b>189 615</b>



**PROFIT AND LOSS ACCOUNT FOR THE PERIOD**

		Note	31/03/2015	31/03/2014
EXTRAORDINARY INCOME	Extraordinary income from operating transactions			
	Extraordinary income from capital transactions	55		
	Provisions written back and charges transferred			
	<b>Total extraordinary income (VII)</b>			
EXTRAORDINARY CHARGES	Extraordinary charges on operating transactions (6bis)		68 217	173 731
	Extraordinary charges on capital transactions	56		
	Extraordinary allocation to depreciation and provisions			
	<b>Total extraordinary charges (VIII)</b>		68 217	173 731
<b>4 - EXTRAORDINARY INCOME OR LOSS (VII - VIII)</b>			<b>-68 217</b>	<b>-173 731</b>
	Employee profit share (IX)	57		
	Income tax (X)	58		
<b>TOTAL INCOME (I+III+V+VII)</b>			<b>5 548 641</b>	<b>7 457 597</b>
<b>TOTAL CHARGES (II+IV+VI+VIII+IX+X)</b>			<b>5 543 304</b>	<b>7 441 713</b>
<b>5 - PROFIT OR LOSS (total income - total charges) (15)</b>			<b>5 338</b>	<b>15 884</b>

Footnotes			31/03/2015	31/03/2014
	(1)	(2)		
	(1)	Including payment instalments on long term transactions		
	(2)	Of which		
		- Income from real estate rentals		
		- Income from prior period operations		
	(3)	Of which		
		- Property leasing		
		- Real estate leasing		
	(4)	Of which, charges for prior period operations		
	(5)	Of which, income related to affiliated undertakings		
	(6)	Of which, interest related to affiliated undertakings		
	(6 bis)	Of which, gifts to agencies of general interest (Art.238 bis of the French tax code)		
	(9)	Of which, charges transferred	64 636	49 993
	(10)	Of which, personal contributions of the proprietor (13)		
	(11)	Of which, royalties for concession of patents, licences (income)		
	(12)	Of which, royalties for concession of trademarks, licences (charges)		
	(13)	Of which, premiums and additional personal contributions: optional		
		obligatory		
	(14)	Turnover in Euros and cents	5 465 502,18	7 404 881,54
	(15)	Net income or loss in Euros and cents	5 337,89	15 883,57



**Notes**



## **Note 10 - Highlights**

### **Reminder of historical major events:**

As of March, 31, 2013, a waiver of debt with a clause of return to best fortune has taken place between SUN PHARMACEUTICALS France and its mother company, ALKALOÏDA, for a total amount of 1.611.881,67 euros. This exceptional income, booked in the subsidiary's accounts, did correspond to a waiver of all intercompany cash advances (including the interests) made by the parent company to its french subsidiary, from the creation of SUN PHARMACEUTICALS France.

As at March 31, 2014, the clause of return to best fortune has been applied, based on 75% of the net income +/- depreciation on fixed assets and accruals in general (bad debt, inventory,...), generating an exceptional expense of 173.731 euros.

As at March 31, 2015, the clause of return to best fortune has been applied again, based on 70% of the net income +/- depreciation on fixed assets and accruals in general (bad debt, inventory,...), generating an exceptional expense of 60.000 euros.

After these two back payments, in 2014 & 2015, the remaining payment amounts to 1.378.150,67 euros.

## **Note 20 - Accounting conventions**

### **Accounting standards - General**

The set up and presentation of yearly accounts have been prepared according to generally accepted french accounting principles in force.

The application of general conventions has respected the following principles:

- the principle of prudence,
- the principle consistency of methods,
- the principle of independence of the financial years,
- the going concern principle.

The accounting entries have been valued according to historical costs.

Investment held by the company have been accounted for their purchase value. At the closing date, if the valuation is below the purchase price, a depreciation is booked.

Inventories are valued per their purchase cost (goods acquired) or per the production cost (manufactured goods).

Additional information on the balance sheet, the Profit & Loss account, as well as the ones related to the company's commitments, as well as the miscellaneous information are presented below:



**Note 31 - Fixed assets****Gross fixed asset transactions**

Description	Gross value at beginning of period	Transactions of the period		Gross value at end of period
		Purchases	Disposals Transf. of items	
<u>Intangible assets</u>				
-Formation and development costs				
-Other intangible asset items	559			559
<b>Total</b>	<b>559</b>			<b>559</b>
<u>Tangible assets</u>				
-Land				
-Buildings . freehold				
. leasehold				
. general installations and improvements				
-Plant, industrial machinery and equipment				
-Other tangible assets				
. general installations and improvements	2 156			2 156
. transportation equipment	92 732			92 732
. office equipment	30 581			30 581
. miscellaneous, returnable containers				
-Fixed assets in progress				
-Payments on account				
<b>Total</b>	<b>125 469</b>			<b>125 469</b>
<u>Financial assets</u>				
-Participating interests assessed by the equity method				
-Other participating interests				
-Other fixed securities				
-Loans and other financial assets	10 800			10 800
<b>Total</b>	<b>10 800</b>			<b>10 800</b>
<b>Grand total</b>	<b>136 828</b>			<b>136 828</b>



## Depreciation transactions

Depreciable fixed assets	Accumulated depreciation at beginning of the period	Transactions of the period		Accumulated depreciation at end of the period
		Allocation	Reduction	
<u>Intangible assets</u>				
- Formation and development costs				
Other intangible asset items	559			559
<b>Total</b>	<b>559</b>			<b>559</b>
<u>Tangible assets</u>				
- Land				
- Buildings				
. Freehold				
. Leasehold				
. General installations and improvements				
- Plant, industrial machinery and equipment				
- Other tangible assets				
. General installations and improvements	1 630	431		2 062
. Transportation equipment	34 590	18 546		53 136
. Office equipment	27 233	2 195		29 428
. Miscellaneous, returnable containers				
<b>Total</b>	<b>63 453</b>	<b>21 173</b>		<b>84 626</b>
<b>Grand total</b>	<b>64 012</b>	<b>21 173</b>		<b>85 185</b>

## Statement of intangible assets

Description	Gross fixed assets	Depreciation	Net fixed assets
At beginning of the period	+ 559	+ 559	+ 0
Revaluation of the period	+		+
Investments of the period	+		+
Allocation of the period		+	-
Disposals or retirements	-	-	-
Value at end of period	= 559	= 559	= 0

## Statement of tangible assets

Description	Gross fixed assets	Depreciation	Net fixed assets
At beginning of the period	+ 125 469	+ 63 453	+ 62 017
Revaluation of the period	+		+
Investments of the period	+		+
Allocation of the period		+ 21 173	- 21 173
Disposals or retirements	-	-	-
Value at end of period	= 125 469	= 84 626	= 40 843



**Financial asset transactions**

Description	Amount
Value at beginning of the period	+ 10 800
Purchases	+
Increase by the equity method	+
Disposals, retirements or reduction via the equity method	-
Value at end of period	= 10 800

**Maturity of financial assets**

Description	Amount
Total financial assets	10 800
. within one year	
. after one year	10 800

**Note 32 - Inventories****Method of inventory costing**

Description	Valuation
Goods inventory	FIFO (1er entré/1er sorti)
Goods Inventory	F.I.F.O. (First In, First Out)

**Note 34 - Accounts receivable**

Debtors are evaluated on their nominal value.

Debtors can be depreciated through an accrual in order to take the recovery difficulties into account.

**Note 36 - Adjustment accounts: assets****Breakdown of prepaid charges**

Description	Period		Operating	Financial	Extraordinary
	to	from			
CVAE Tax prepaid	01/04/2015		3 769		
E-Diatonis rent	01/04/2015		225		
Insurance on freight	01/04/2015		599		
Internet charges	01/04/2015		357		
Multi-risk insurance	01/04/2015		466		
	<b>Totals</b>		<b>5 416</b>		

**Note 40 - Shareholder equity****Composition of registered capital**

Description	Shares or partnership interests		
	Number	Unit value	Total
At beginning of the period	7400	5,00	37 000
Issued during the period			
Redeemed during the period			
At end of the period	7400	5,00	37 000
Increase of capital by incorporation of reserves			
Reduction of capital by use of reserves			

**Note 43 - Accounts payable****Maturity of borrowings**

Description	Sums owed	Within 1 year maximum	Between 1 and 5 years max.	After 5 years
<u>Lending institutions</u>	3 856	3 856		
. original maximum 1 year term				
. original greater than 1 year term	3 856	3 856		
<u>Sundry financial debts and borrowings</u>	1 269 359	0	1 269 359	
<b>Total</b>	<b>1 273 215</b>	<b>3 856</b>	<b>1 269 359</b>	

**Note 60 - Other information****Engagements for end of job indemnities**

They have not been computed as they are not significant, based on the age and seniority of the employees.

**Breakdown of accrued charges**

Description	Amount
A/P, invoices not yet received	26 197
ANSM tax payable	7 921
Apprentice tax payable	406
Bank interests, not yet matured	3 856
Bonus accrual payable	39 838
C3S Tax payable	4 598
CFE tax payable	10 071
Interests not loans, not yet matured	10 988
Payroll tax on bonus payable	19 326
Payroll tax on vacation accrual payable	15 260
Property tax payable	7 371
Training tax payable	598
Vacation accrual payable	31 495
VAT payable	648
<b>Total</b>	<b>178 573</b>



## Items relating to affiliated undertakings and interests

Description	Sum relating to undertakings	
	affiliated to the company	in which the company holds participating interests
Fixed asset payments on account		
Participating interests		
Receivables from undertakings in which interests are held		
Loans		
Payments on account made on orders (current assets)		
Trade notes and accounts receivable	276 461	
Other receivables		
Capital subscribed, called yet unpaid		
<b>Total assets</b>	<b>276 461</b>	
Convertible debenture loans		
Other debenture loans		
Sums owed to lending institutions (1)		1 269 359
Sundry financial debts and borrowings		
Payments on account received on orders in progress		
Trade notes and accounts payable	1 408 386	1 667
Liabilities to fixed asset suppliers and related accounts		
Other liabilities		
<b>Total liabilities</b>	<b>1 408 386</b>	<b>1 271 026</b>
Income from undertakings in which interests are held		
Other financial income		
<b>Total income</b>		
Financial charges		
<b>Total charges</b>		

## Off-balance sheet liabilities

Description	With respect to				
	Managers	Subsidiaries	Participating interests	Other affiliated undertakings	Other
Waiv of debt, with clause return to best fortu				1 378 151	
<b>Totals</b>				<b>1 378 151</b>	

## Numbers of staff

Category	Average number of staff
Headcount (average over the year)	3





## Maturity of receivables

Statement of receivables	Gross amount	Within 1 year maximum	After 1 year
Receivables from undertakings in which interests are held			
Loans (1) (2)			
Other financial assets	10 800		10 800
Doubtful or contested accounts	2 624	2 624	
Other customer receivables	890 546	890 546	
Amounts owed from loaned securities ( Provision for loss in value, constituted in prior periods )			
Personnel and related accounts			
Social security and other social agencies			
Income tax	826	826	
Value added tax	227 484	227 484	
Other taxes, levies and similar payments			
Miscellaneous			
Group and partners (2)			
Sundry debtors (receivables relating to repo agreements)	6 942	6 942	
Prepaid expenses	5 416	5 416	
<b>Totals</b>	<b>1 144 638</b>	<b>1 133 838</b>	<b>10 800</b>
(1) Sum of - Loans granted during the period - Repayments obtained during the period			
(2) Loans and advances to partners (individuals)			

## Maturity of liabilities

Statement of liabilities	Gross amount	Within 1 year maximum	Between 1 and 5 years max.	After 5 years
Convertible debenture loans (1)				
Other debenture loans (1)				
Sums owed to lending institutions (1)				
Original maximum 1 year term	3 856	3 856		
Original greater than 1 year term				
Sundry financial debts and loans (1) & (2)	1 269 359		1 269 359	
Supplier and related accounts	1 486 684	1 486 684		
Personnel and related accounts	71 333	71 333		
Social security and other social agencies	81 897	81 897		
Income tax				
Value added tax	31 684	31 684		
Secured bonds				
Other taxes, levies and similar payments	27 015	27 015		
Debts to fixed asset suppliers and related accounts				
Group and partners (2)				
Other liabilities	89 718	89 718		
Debts on loaned securities				
Prepaid income				
<b>Totals</b>	<b>3 061 546</b>	<b>1 792 187</b>	<b>1 269 359</b>	
(1) Borrowings subscribed during the period		(2) Sums owed to partners (individuals)		
Borrowings repaid during the period				



## Statement of provisions

Type of provisions	Amount at beginning of the period	Increase: allocations of the period	Reduction: reversals of the period	Amount at end of the period
<b>REGULATED PROVISIONS</b>				
Provisions for depletion of mining and oil reserves				
Investment provisions (Art.237 bis A-II)				
Provisions for price increases				
Derogatory depreciation (regulated)				
Tax provisions for start-up of foreign operations undertaken before 1.1.1992				
Tax provisions for start-up of foreign operations undertaken after 1.1.1992				
Provision for business set-up loans (Art.39d (quinquies) H of CGI)				
Other regulated provisions				
<b>Total (I)</b>				
<b>PROVISIONS FOR CONTINGENCY AND EXPENSES</b>				
Provisions for lawsuit contingency				
Estimated liability under warranties				
Provisions for unrealised losses on futures markets				
Provisions for fines and penalties				
Provisions for foreign exchange losses				
Provisions for pension plans and similar requirements				
Tax provisions				
Provisions for renewal of fixed assets				
Provisions for large maintenance and great revisions				
Accrued payroll charges on unpaid holiday				
Other provisions for contingency and expenses				
<b>Total (II)</b>				
<b>PROVISION FOR LOSS IN VALUE</b>				
on fixed assets				
- intangible				
- tangible				
- securities via the equity method				
- participating interests				
- other financial assets				
On inventories	14 209	6 302	14 209	6 302
On customer accounts	3 938	25	1 515	2 447
Other provisions for loss in value				
<b>Total (III)</b>	<b>18 146</b>	<b>6 326</b>	<b>15 724</b>	<b>8 749</b>
<b>Total (I + II + III)</b>	<b>18 146</b>	<b>6 326</b>	<b>15 724</b>	<b>8 749</b>
including allocations and reversals		6 326	15 724	
-operating				
-financial				
-extraordinary				
Securities assessed by the equity method: depreciation at closing computed in pursuance of Article 39-1-5quinquies of French tax code.				