

SUN PHARMACEUTICALS MOROCCO LLC SARLAU

**GENERAL REPORT OF THE
LEGAL AUDITOR**

YEAR ENDED MARCH 31st, 2019

(This is a free translation into English of our audit report signed and issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed solely in accordance with, Moroccan law and Moroccan professional standards).

**To the Shareholder of SUN PHARMACEUTICALS MOROCCO LLC SARLAU
Casablanca**

GENERAL REPORT OF THE LEGAL AUDITOR

Year from April 1st, 2018 to March 31st, 2019

In accordance with our assignment as auditor, we have audited the accompanying financial statements including the balance sheet and the profit and loss account of SUN PHARMACEUTICALS MOROCCO LLC SARLAU for the year ended March 31st, 2019, which show a negative net equity of **MAD 5 594 231,96** including a net profit of **MAD 4 589 554,06**.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Moroccan accounting principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the presentation of financial statements that are free from material misstatement, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Moroccan auditing standards. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph above are regular and sincere and give, in all material aspects, a fair view of the result of the year's operations and the financial position and assets of the Company SUN PHARMACEUTICALS MOROCCO LLC SARLAU as of March 31st, 2019, in accordance with Moroccan accounting principles.

Without qualifying the above opinion, we bring to your attention the fact that the net equity of the Company as of March 31st, 2019, is negative for an amount of 5 594 thousand of Moroccan dirhams.

According to the article 86 of the law 5-96 (Law on LLC), the sole shareholder must decide whether the company should be liquidated. If the sole shareholder decides the company should not be liquidated, then he must proceed to an increase of capital, so that equity becomes at least equal to one fourth (25%) of share capital.

The shareholder of the company continues to give its financial support to Sun Pharmaceuticals Morocco LLC. Therefore, the financial statements have been prepared on a going concern basis.

Casablanca, July the 8th, 2019

THE LEGAL AUDITOR

Chakib Zaari

Révisée Casablanca SARL

Balance Sheet (Assets)

	ASSETS	CURRENT YEAR			PRIOR YEAR
		Gross Amount	Amortisation or depreciation	Net amount	Net amount
	CAPITALIZED EXPENSES (A)	163 353	163 353	-	
	Preliminary expenses	163 353	163 353		
	Deferred expenses on several years				
F	Premium of debentures refund				
I	INTANGIBLE FIXED ASSETS (B)	66 741	45 359	21 382	34 114
X	Research and development				
E	Patents, Trademarks, and similar rights	66 741	45 359	21 382	34 114
D	Goodwill				
	Other Intangible Assets				
A	TANGIBLE FIXED ASSETS(C)	6 034 741	1 086 816	4 947 924	501 717
S	Land				
S	Buildings				
E	Industrial fixtures and equipment	3 918 459	95 156	3 823 303	36 012
T	Transportation equipment				
S	Office equipment and furniture	2 116 282	991 661	1 124 621	465 705
	Other tangible fixed assets				
	Tangible fixed assets in progress				
	LONG TERM INVESTMENTS (D)	1 564 085	-	1 564 085	1 427 171
	Long term loans				
	Other financial assets	1 564 085		1 564 085	1 427 171
	Investments				
	Other investments				
	UNREALISED EXCHANGE RATE LOSSES (E)				
	Unrealised exchange rate losses (from long term assets)				
	Unrealised exchange rate losses (from long term liabilities)				
	TOTAL I (A+B+C+D+E)	7 828 919	1 295 528	6 533 391	1 963 002
	INVENTORIES (F)	56 863 362	18 255 192	38 608 170	14 957 512
C	Merchandises	43 595 902	12 084 981	31 510 921	12 962 073
U	Raw materials and furnitures	10 454 149	4 689 178	5 764 971	1 894 396
R	Work in progress				
R	Intermediate and residual products				
E	Finished products	2 813 311	1 481 033	1 332 278	101 043
N	CURRENT ASSETS(G)	93 689 843	-	93 689 843	126 105 568
T	Advances payments to suppliers and other debtors	1 787 711		1 787 711	4 132 567
	Trade accounts receivable	86 820 568		86 820 568	117 592 867
A	Personnel	499 186		499 186	778 667
S	Taxes	4 081 702		4 081 702	2 886 302
S	Shareholders Current accounts				
E	Others debtors	210 505		210 505	306 345
T	Deferral accounts	290 172		290 172	408 820
S	MARKETABLE SECURITIES (H)				
	UNREALISED EXCHANGE RATE LOSSES (I)	6 189 469		6 189 469	6 175 902
	(Current)				
	TOTAL II (F+G+H+I)	156 742 674	18 255 192	138 487 482	147 238 982
C	CASH AND CASH EQUIVALENTS (Assets)	30 531 360	-	30 531 360	25 119 763
A	Checks and other instruments to be cashed				
S	Cash on Bank	30 349 096		30 349 096	25 103 371
H	Cash on hand	182 264		182 264	16 392
	TOTAL III	30 531 360	-	30 531 360	25 119 763
	TOTAL ASSETS I+II+III	195 102 953	19 550 720	175 552 233	174 321 746

Balance Sheet (Liabilities)

	LIABILITIES	CURRENT YEAR	PRIOR YEAR
	Shareholder's equity (A)		
	Common stock (1)	12 235 300	12 235 300
	(Minus) Common stock subscribed but not called-up		
C	Issuance, merger and contribution premium		
A	Revaluation reserve		
P	Legal reserve		
I	Others reserves		
T	Profit/ loss account brought forward (2)	- 22 419 086	- 21 665 296
A	Not yet allocated income (2)		
L	of the year	4 589 554	- 753 790
	Total Shareholders Net Equity (A)	- 5 594 232	- 10 183 786
A	RELATED EQUITY (B)	-	-
N	Investment Subsidy		
D	Regulatory provisions		
	FINANCIAL LIABILITIES (C)	-	-
R	Debenture Loans		
E	Other financial liabilities		
S			
E			
R	PROVISION FOR CONTINGENCIES AND LOSSES(D)	-	-
V	Provision for contingencies		
E	Provision for losses		
S	UNREALISED EXCHANGE RATE GAINS (Non current) (E)	-	-
	Unrealised exchange rate gains from long term assets		
	Unrealised exchange rate gains from long term liabilities		
	Total I(A+B+C+D+E)	- 5 594 232	- 10 183 786
L	CURRENT LIABILITIES (F)	174 458 276	177 737 339
I	Trade accounts payable	96 997 545	99 476 848
A	Clients in credit, Advance payments received	14 215 398	15 387 986
B	Personnel	3 236 118	2 552 537
I	Social security liabilities	1 504 947	1 388 284
L	Taxes	7 383 091	9 931 979
I	Shareholders current accounts	51 121 177	48 999 704
T	Others debts		
I	Deferral accounts		
E	OTHER PROVISION FOR CONTINGENCIES AND LOSSES (G)	6 605 419	6 429 115
S	UNREALISED EXCHANGE RATE GAINS (Current) (H)	82 770	339 078
	Total II (F+G+H)	181 146 465	184 505 532
C	CASH LIABILITIES	-	-
A	Discounts credit		
S	Short term credit facility		
H	Bank Overdrafts		
	Total III		
	TOTAL LIABILITIES I+II+III	175 552 233	174 321 746

(1) Debtor share capital (-)

(2) Income (+) Loss (-)

Tableau N°2

Société : SUN PHARMA MOROCCO LLC SARLAU
Article IS : 40256039

Period ended

31/03/2019

INCOME STATEMENT

	ITEM	CURRENT YEAR			PRIOR YEAR Net amount 4
		Related to the period 1	Related to the prior periods 2	Net amount 3=2+1	
OPERATING	I OPERATING REVENUE				
	Sales of merchandise	117 492 470		117 492 470	145 785 498
	Sales of goods and services	16 549 182		16 549 182	26 896 523
	Finished Goods inventory change (+/-) (1)	1 372 387		1 372 387	890 788
	Self constructed capital asset				
	Operating Subsidy				
	Others operating income	4 509 347		4 509 347	16 183 149
	Reversal of operating provisions-charges transfer	12 013 777		12 013 777	4 102 501
	Total I	151 937 163		151 937 163	192 076 883
	II OPERATING EXPENSES				
	Purchase of goods for resale (2)	52 858 036		52 858 036	90 709 292
	Purchase of materials and supplies (2)	10 057 809		10 057 809	9 746 483
	Other external expenses	34 098 970	14 509	34 113 479	50 603 951
	Taxes	1 317 925	13 539	1 331 464	800 951
	Personnel expenses	24 317 628		24 317 628	24 311 814
Other operating expenses					
Operating allowances (for depreciation and risks)	18 518 492		18 518 492	12 247 655	
Total II	141 168 859	28 049	141 196 908	188 420 146	
III OPERATING INCOME / LOSS (I - II)			10 740 256	3 656 737	
FINANCIAL	IV FINANCIAL REVENUE				
	Revenue from investment and others				
	Exchange gains	234 362		234 362	3 596 777
	Interests and other financial revenue	162 736		162 736	11 710
	Reversal of financial provisions - charges transfer	6 429 115		6 429 115	8 695 495
	Total IV	6 826 213		6 826 213	12 303 982
	V FINANCIAL EXPENSES				
	Interests expenses	2 146 034		2 146 034	1 668 223
	Exchange losses	616 142		616 142	32 390
	Other financial expenses				
	Financial allowances	6 605 419		6 605 419	6 429 115
	Total V	9 367 594		9 367 594	8 129 728
VI FINANCIAL INCOME (IV-V)			2 541 381	4 174 254	
VII ORDINARY INCOME (III+VI)			8 198 875	7 830 991	

1) Change in inventories: final inventories - initial inventories, increase (+) decrease (-)

2) Cost: purchases - inventories change

Tableau N°2

Société : SUN PHARMA MOROCCO LLC SARLAU
Article IS : 40256039

Period ended

31/03/2019

INCOME STATEMENT

	ITEM	CURRENT YEAR			PRIOR YEAR Net amount 4
		Related to the period 1	Related to the prior periods 2	Net amount 3=2+1	
NON CURRENT	VII ORDINARY INCOME (report)			8 198 875	7 830 991
	VIII EXCEPTIONAL REVENUE				
	Revenue from assets disposal	-		-	-
	Balancing Subsidy	-		-	-
	Reversal of Investment Subsidy	-		-	-
	Other extraordinary revenue	25 455		25 455	109 645
	Reversal of extraordinary provisions- charges transfer	-		-	-
	Total VIII	25 455	-	25 455	109 645
	IX EXCEPTIONAL EXPENSES				
	Net value of sold assets	-		-	-
	Granted Subsidies	-		-	-
	Others extraordinary expenses	968 628		968 628	1 175 944
	Extraordinary allowances	-		-	-
	Total IX	968 628	-	968 628	1 175 944
	X EXCEPTIONAL INCOME / LOSS (VIII - IX)			- 943 173	- 1 066 299
	XI INCOME / LOSS BEFORE TAXES(VII + X)			7 255 702	6 764 692
	XII INCOME TAX			2 666 148	7 518 481
XIII NET INCOME / LOSS (XI - XII)			4 589 554	- 753 790	

XIV	TOTAL OF REVENUES (I+IV+VIII)			158 788 832	204 490 510
XV	TOTAL OF EXPENSES (II+V+IX+XII)			154 199 278	205 244 300
XVI	NET INCOME			4 589 554	- 753 790