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**Hormosan Pharma GmbH
Frankfurt/Main, Germany**

Long-form Report on the
Audit of the Financial Statements
for the year ended 31 March 2017

Deloitte.

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Translation; the German version prevails.

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General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms)

We would like to point out that there may be differences due to the use of rounded amounts and percentages because of commercial rounding.

Appendices

- 1 Management Report and Annual Financial Statements and Auditor's Opinion**
- 1.1 Management Report
- 1.2 Balance Sheet
- 1.3 Profit and Loss Account
- 1.4 Notes to the Financial Statements
- 1.5 Auditor's Opinion

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1 Audit Engagement

By resolution of the shareholder's meeting of 20 July 2016 of

**Hormosan Pharma GmbH,
Frankfurt/Main, Germany**

- hereinafter referred to as "Hormosan" or "Company" -

we were elected as independent auditors for the financial year 2016/17. Based on this resolution, the legal representatives engaged us to conduct an audit of the financial statements for the financial year 2016/17 in accordance with Sec. 317 of the German Commercial Code (HGB).

In accordance with Sec. 321 Para. 4a German Commercial Code (HGB) we confirm that our audit was conducted in compliance with the applicable regulations on independence.

Our long-form audit report was prepared in accordance with German Generally Accepted Standards for the Issuance of Long-form Audit Reports for the Audits of Financial Statements promulgated by the Institute of Public Auditors in Germany (IDW) – Auditing Standard IDW PS 450.

The scope of the engagement and our responsibilities thereunder, also towards third parties, are governed by our agreement dated 3/30 March 2017 and additionally by the enclosed "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and German Public Audit Firms)" as of 1 January 2017.

This long-form audit report has been prepared solely for documenting the audit work performed to the Company and for no other purpose. In accordance with the legal position pursuant to Sec. 323 of the German Commercial Code (HGB) we do not accept or assume liability to any other person.

2 General Conclusions**2.1 Comments on Management's assessment of the Company's position**

We draw attention to the following aspects of the financial statements, the management report as well as other audited documents which are of particular relevance in assessing of the economic position of the Company:

- Sales revenues of Hormosan at EUR 28.0 million are higher than the previous year's level (EUR 21.1 million).

The increase is due to three developments: Nine new products were launched on the market and the Sumatriptan Pen was deliverable again after six months of inability to supply (sales increase of EUR 3.0 million). Sales of the so-called Temmler products rose by EUR 2.3 million. As a result of the implementation of the Accounting Directive Implementation Act (BilRUG), selected items amounting to EUR 1.6 million have been reclassified from other operating income to revenues in 2016, with the previous year's figures not being amended (selected items of EUR 1.4 million).

- A net profit for the year amounted to EUR 2.2 million (prior year: EUR 0.5 million).

The cost of materials rose from EUR 11.8 million to EUR 14.0 million in line with the development in sales revenues. However, the material usage rate has fallen from 56 % to 49.8 %, so that the gross profit could be increased from EUR 10.8 million to EUR 14.2 million. As a result, the net profit for the year could be increased significantly.

- Total assets amounted to EUR 17.6 million and was lower than the level of the previous year (EUR 18.1 million after adjusting for the capital deficit).

While inventories rose by EUR 2.4 million to EUR 7.7 million, cash and cash equivalents decreased by EUR 2.6 million to EUR 1.8 million. On the liabilities side, liabilities decreased by EUR 2.3 million to EUR 12.8 million. Shareholder's equity amounts to EUR 0.4 million (prior year: capital deficit of EUR 1.8 million). The equity ratio amounts to 2.2 % (prior year: negative).

- The operating cash flow is positive.
- Fixed asset investment

EUR 1.5 million (prior year: EUR 0.7 million) was invested in intangible assets, mainly in drug approvals. An amount of 40.8 % of the investment is financed by equity and long-term debt.

- Outlook for the 2017/2018 financial year

Management expects sales revenues of EUR 36.7 million and a net profit for the year of EUR 3.9 million for the coming financial year.

In conclusion, in accordance with section 321 para. 1 sentence 2 of the Commercial Code (HGB), we state that we regard the legal representatives' assessment of the Company's position as justifiable; this applies in particular to the assumption concerning the appropriateness of the going concern basis

for the financial statements and the assessment of the Company's future development as reflected in the financial statements and management report.

In addition, we would like to refer to the comments on the overall assertions on the Annual Financial Statements of the Company in section 5.2 of our report as well as on the reporting in section 2.2 below.

2.2 Facts endangering the development of the Company as a going concern

In accordance with Sec. 321 para. 1 sentence 3 of the German Commercial Code (HGB), we report on facts which may threaten the continued existence of the Company.

As at 31 March 2017, the Company reported liquid assets of EUR 1.8 million and trade receivables of EUR 3.6 million and short-term liabilities of EUR 11.6 million.

The shareholder Lupin Holdings B.V., Amsterdam, Netherlands, has issued a letter of support dated 1 April 2017. Herewith, Lupin Holdings B.V. is irrevocably committed until 31 March 2018 to equip Hormosan with cash on request, so that the Hormosan can fulfil its payment obligations.

3 Reproduction of the Independent Auditor's Opinion

We issued the following unqualified independent auditors' opinion, signed on 28 April 2017, on the financial statements and management report of Hormosan Pharma GmbH, Frankfurt/Main, Germany, for the financial year 2016/17 as set out in Appendix 1:

"[Independent] Auditor's Opinion

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – together with the bookkeeping system and management report of Hormosan Pharma GmbH, Frankfurt/Main, Germany, for the financial year from 1 April 2016 to 31 March 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 legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. 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 and management report in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and 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 the legal representatives, 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 findings of our audit, the annual financial statements of Hormosan Pharma GmbH, Frankfurt/Main, Germany, comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an appropriate view of the company's position and appropriately presents the opportunities and risks of future development."

4 Subject, Nature and Scope of the Audit

Subject of the Audit

Subject of our audit was

- The accounting records
- the annual financial statements (comprising balance sheet, profit and loss account as well as notes to the financial statements) and
- the management report of the Company.

The Company's Management is responsible for the bookkeeping and the preparation of the annual financial statements in accordance with the German regulations under commercial law. This also applies to the information which was provided to us concerning these documents. Our responsibility is to assess these documents and this information within the scope of our audit in accordance with professional standards.

Auditing the compliance with other regulations is covered by the scope of the audit of the financial statements only to the extent that these normally impact the annual financial statements or the management report.

Nature and Scope of the Audit

Starting point for our audit was the prior year's financial statements audited by us and given an unqualified auditor's opinion dated 6 May 2016; these financial statements were approved on 20 July 2016.

We conducted the audit – with interruptions – in the months of November to December 2016 (interim audit) and March to April 2017 (main audit).

Our audit was performed in accordance with Sec. 317 of the German Commercial Code (HGB) in compliance with the German generally accepted auditing standards issued by the Institut der Wirtschaftsprüfer.

According to Sec. 317 of the German Commercial Code (HGB), a problem-orientated audit of financial statements must be of sufficient scope to ensure that material inaccuracies and violations of accounting rules are identified with sufficient assurance. In order to meet these requirements, we apply our risk and process-orientated audit approach; this approach is applied by means of our Engagement Management System (EMS) auditing software. It supports the planning, performance and documentation of the audit of financial statements.

According to Sec. 317 (4a) of the German Commercial Code (HGB), an appropriate audit of financial statements does not include whether the existence as a going concern of the entity audited or the economy, efficiency and effectiveness of operations can be assured.

Within the scope of our audit planning, we gathered information on the business activity, the economic and legal environment of the Company as well as its accounting system, performed an analytical review of the annual financial statements and inspected the Articles of Association and shareholder resolutions. The audit strategy was determined by us based on the results of this information and reviews and evaluations of possible misstatements. The Company's system of internal accounting controls was examined by us to the extent we considered necessary to evaluate the system as required by generally accepted accounting principles; our audit of the financial statements did not cover the system of internal accounting controls taken as a whole.

We have examined the relevant control procedures of the company for adequacy and, where appropriate, effectiveness in accordance with our audit plan. We were able to reduce our statement-based auditing activities (analytical audits and individual case studies of selected transactions and portfolios), insofar as these controls were considered to be effective. In all other cases, we did not carry out the assessment-related audit in an unreduced manner according to our risk assessment. In individual case studies, we have obtained evidence in a deliberate selection or with the help of sampling procedures.

The following areas were the focus of our audit:

- Evidence of and cut-off of sales revenues,
- Valuation of inventories,
- Valuation of trade receivables, and
- Valuation and completeness of provisions and accruals.

To assess whether the Company's accounting function complies with German principles of proper accounting we obtained an understanding of the organisation of the accounting function, and performed an evaluation of the operating effectiveness, design and implementation of relevant controls, especially with regard to material control measures implemented within the accounting function.

The Company conducts stocktaking of inventories by way of a perpetual inventory system and also an annual count at the year end. We have observed at selected inventory counts. In addition, we examined whether the stock records meet the requirements for the permanent inventory method.

Within the framework of our audit of trade receivables and payables, bank balances and provisions, we obtained balance confirmations from selected customers and suppliers, all banks, selected lawyers and the tax advisor of the Company to substantiate assets, rights and obligations of the Company.

We appraised statements in the management report relating to the future for credibility, in the light of the information contained in the financial statements, and for consistency with the knowledge we gained during our audit.

Management furnished all requested explanations and documentation, and gave us the customary letter of representation on 28 April 2017. The letter of representation assured us, in particular, that all transactions and events required to be recorded in the books had been so recorded and that the financial statements given to us for audit reflected all assets, liabilities (obligations and risks), accruals and deferrals required to be included therein, and all expenses and revenues and all other required information.

5 Findings and Commentary regarding the Financial Reporting

5.1 Propriety of the financial reporting

5.1.1 Accounting records and other audited documents

The accounting records are in accordance with statutory requirements, including German principles of proper accounting. The information obtainable from the other documents audited is appropriately reflected in the accounting records, financial statements and management report.

5.1.2 Financial statements

The annual financial statements as at 31 March 2017 are presented in Appendices 1.2 to 1.4 attached to this report.

The financial statements were properly developed from the accounting records and the other audited documents. The legal requirements for classification, recognition and measurement, as well as the Notes have been complied with. The details of the total remuneration of management have not been disclosed which is permissible through the application of Sec. 286 para. 4 of the German Commercial Code (HGB).

5.1.3 Management Report

The management report for the financial year 2016/17 is attached to this report as Appendix 1.1.

Our audit work indicates that the management report is consistent with the financial statements and the findings of our audit, and as a whole provides a suitable view of the position of the Company. The significant opportunities and risks of future development are presented suitably. The disclosures required by Sec. 289 Para. 2 and 3 of the German Commercial Code (HGB) are complete and appropriate.

5.2 Overall assertion from the Annual Financial Statements**5.2.1 Observations to the overall assertion from the Annual Financial Statements**

The annual financial statements taken as a whole, i.e. the combined presentation of balance sheet, profit and loss account and notes to the financial statements, present, in compliance with generally accepted accounting principles, a true and fair view of the Company's net assets, financial position and results of operations.

5.2.2 Explanatory Notes to the overall financial statement presentation

Significant valuation bases are presented below.

Provisions for rebates to health insurance companies

Pharmaceutical companies sell their drugs to pharmaceutical wholesalers and pharmacies at the list price, with the appropriate revenue recognition. In so-called rebate agreements, the statutory health insurance companies can arrange special rates with one or more suppliers for an active ingredient. The pharmacies are then allowed to dispense only those products that are specified in the rebate agreement of the respective health insurance company to the insured person. Drug companies are selected through public tenders for individual drugs that received the supplements for their products either exclusively or in a multi partner model for a term of two years.

Through these contracts, the drug manufacturer grants the health insurance companies rebates in return for being the exclusive supplier to the health insurance companies. At the pharmacy, the patient with an appropriate prescription from the doctor does not receive the drug of the manufacturer who is named on the prescription, but a drug from one of the manufacturers who have a discount agreement with the health insurance company of the patient. The drug needs to have the same active ingredients, the same pharmaceutical form, dosages and package size. The pharmacies are obliged by the no substitution ("Aut-idem") rule to make a substitution of prescribed medication

In favour of the rebated medicines. This shall only not apply if the physician has prohibited the exchange by ticking the "aut idem field" on the prescription.

The rebates are due at the time of delivery of the drug by the pharmacy to the patient. As at the time of sale of the drug by Hormosan to wholesalers or pharmacy neither the timing nor the quantity of the dispensed items is known, the amount of incurred rebates for sales of the financial year as at the balance sheet date can only be estimated. The estimate is based on the rebate amounts agreed with the health insurance companies, sales and volume reports of INSIGHT Health GmbH & Co. KG (healthcare information providers) and the realised revenues and rebate credit notes in the financial year. The discounts are often invoiced by the health insurance companies several months after the release of data by the information provider.

Hormosan has set up provisions amounting to EUR 1.7 million as at 31 March 2017 for rebates payable to health insurance companies (prior year: EUR 3.1 million).

5.3 Analysis of the net assets, financial position and results of operations

Multi-year summary

		<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>
Sales revenue	EUR '000	28,038	21,143	12,979	8,880
Operating performance	EUR '000	28,166	22,621	13,485	9,879
Material costs	EUR '000	13,962	11,841	7,937	5,648
Material intensity (= Material cost/operating performance)	%	49.6	52.3	58.9	57.2
Personnel expenses	EUR '000	4,712	3,986	3,273	2,611
Personnel intensity (= Personnel expenses/operating performance)	%	16.7	17.6	24.3	26.4
Employee numbers (§ 267 para. 5 HGB)	No.	59	56	38	30
Sales revenue per employee	EUR '000	475	378	342	296
EBITDA	EUR '000	2,958	1,053	-1,906	-2,303
EBIT	EUR '000	2,527	648	-2,268	-2,657
Net profit (loss) for the year	EUR '000	2,226	481	-2,578	-2,755
Intangible fixed assets	EUR '000	3,130	2,978	2,607	2,576
Fixed assets	EUR '000	4,024	3,845	3,474	3,465
Capital deficit (-)/Equity (+)	EUR '000	391	-1,834	-2,316	262
Long-term external funding	EUR '000	1,250	1,717	1,856	806
Balance sheet total/Total assets (excluding capital deficit)	EUR '000	17,578	18,109	10,729	10,366
Equity ratio	%	2.2	negative	negative	2.5
Fixed asset coverage	%	40.8	-3.0	-13.2	30.8

Credit lines

There is a line of credit amounting to kEUR 500 at Deutsche Bank AG branch German business, Frankfurt/Main, Germany, was not utilised as at 31 March 2017. The credit facility is intended solely for the purpose of covering the short-term needs in the context of cash management transactions by the bank. Furthermore, there is a second line of credit amounting to kEUR 7,500, which was utilised up to an amount of kEUR 7,220 as at 31 March 2017.

6 Concluding Remark

The above long-form report on our audit of the financial statements of Hormosan Pharma GmbH, Frankfurt/Main, Germany, for the financial year 2016/17 complies with the legal regulations and the German generally accepted standards for the issuance of long-form audit reports for the audits of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) – Auditing Standard IDW PS 450.

Concerning the unqualified independent auditors' opinion issued by us we refer to Section 3 "Reproduction of the Independent Auditors' Opinion".

Frankfurt am Main, Germany, 28 April 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

signed
(Ludwig)
Wirtschaftsprüfer
[German Public Auditor]

signed
(Wiesner)
Wirtschaftsprüfer
[German Public Auditor]

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For publication or issuing to third parties of the annual financial statements and/or the management report in a form other than the version on which our independent auditors' report has been issued, or for translation into other languages our renewed representation is required, if our independent auditors' report is quoted or reference is made to our audit of the annual financial statements in this context; in this respect we draw attention to the regulations under Sec. 328 of the German Commercial Code (HGB).

**Hormosan Pharma GmbH
Frankfurt/Main, Germany**

Management Report and
Annual Financial Statements
as at 31 March 2017
and Auditor's Opinion

Hormosan Pharma GmbH, Frankfurt am Main, Germany

Management Report for the financial year from 1. April 2016 to 31. March 2017

1. General industry development

The German pharmaceutical market grew in the 2016 calendar year by approximately 4.0% in sales to EUR 39.5 billion, with sales of individual units decreasing by 1.7%. The generics market in 2016 achieved EUR 6.81 billion (+ 2.4% compared to 2015) (IMS Database). Similar growth rates are also expected in 2017. After a negative development in 2015, the global pharmaceutical market grew by 4.8% in 2016. In the following years to 2022 average growth rates of over 6% are predicted annually (Evaluate: World Preview 2016 Outlook to 2022).

2. General business development of Hormosan Pharma GmbH

Hormosan Pharma GmbH has been present in the German market as a pharmaceutical company since 1968. Since mid-2008, after the takeover by the Lupin Group, it operates as a German subsidiary of Lupin Holdings B.V. with its head office in Amsterdam. In turn, Lupin Holdings B.V. is a subsidiary of Lupin Ltd. with its head office in Mumbai (India).

Lupin Ltd. is an international pharmaceutical company with a wide range of generic and patented pharmaceutical forms and substances. The Group companies are particularly specialised in the areas of cardiovascular, diabetes, asthma, paediatrics, neurology, gastroenterology, infection and pain. In addition, the Lupin Group was able to secure a worldwide leading position in the field of tuberculosis and cephalosporin antibiotics.

Hormosan Pharma is focused primarily on selling prescription medicines wholesale to the pharmaceutical industry. This sales activity is supported by an experienced sales force, which visit doctors and introduce the products. The current product range includes more than 90 generic products, some of which are purchased in part from the parent company, but to a greater extent from third party licensors. The Company does not develop its own products. Finished developments are taken over and registered or the approvals already issued are taken over.

The strategic decision in April 2015 to focus the business on women's health, the central nervous system (CNS) and pain, was rigorously implemented in the 2016/2017 financial year. However, in November the indicator area Women's Health had to be partially withdrawn from the focus since the market had developed increasingly negatively, which was due to a critical public discussion about the side effects of the 3rd and 4th generation Pill (Thrombosis risks). Also, the decision to service fewer tenders was also implemented as planned. In addition to the described focus, the gradual development of the product portfolio as well as brand generics and specialties were also pushed forward. The specialty portfolio of Temmler Pharma GmbH & Co. KG, Marburg, which was acquired in August 2015, was an important component in this segment, was available for the full period for the first time in the past financial year. In addition, with the introduction of a first strong sales product, the indicator range HIV was added as a new focus for Hormosan Pharma. In the past financial year, two external service lines with a total of 31 external sales representatives were employed by Hormosan Pharma GmbH.

3. Company Position

The net profit for the year was increased to EUR 2.2 million (prior year: EUR 0.5 million). Investments in the future made in the previous year, such as the optimisation of the external services, contributed to the positive earnings performance. The financial position has improved to the point that the company no longer has negative equity.

3.1. Earnings Position

Sales revenues of Hormosan Pharma GmbH recorded an increase of 30% compared to the previous financial year. The company generated revenues of EUR 21.1 million in the previous year and for the current reporting year was able to report an amount of EUR 28.0 million. Sales revenues are a significant financial performance indicator.

The net sales increase can be attributed mainly to three developments. Firstly, Hormosan Pharma GmbH product launches were responsible for the sales growth. In the 2016/2017 financial year nine products were launched in the market and the Sumatriptan Pen was re-launched after 6 months of inability to deliver. Together these accounted for sales revenues of EUR 3.0 million. The second largest impact stems from the aforementioned full year effect of the acquisition of the pharmaceutical division of Temmler Pharma GmbH. This product segment is responsible for net sales growth of EUR 2.3 million. The third effect is that as a result of the implementation of the Accounting Directives Act (BilRUG), the definition of revenue has been extended so that the appropriate items amounting to EUR 1.6 million in 2016 were reclassified from other operating income to sales revenues. The previous year's affected items of EUR 1.4 million were not reclassified. The comparability of sales revenues and other operating income with the previous year's figures is therefore limited.

Similar to the sales trend, the cost of materials have also increased. The costs increased in the 2016/2017 financial year by 18% from EUR 11.8 million to EUR 14.0 million. This includes the cost of purchased services (EUR 0.6 million) and is the result of changes in the recognition of re-charges which are included for the first time because of BilRUG. The percentage of material costs to net sales was reduced by 6 percentage points from 56% to 49.8% compared to the previous year. This can be explained by proportionate changes in the product mix.

In other expenses, slight increases over the previous year can be seen, particularly in personnel and personnel-related costs. Personnel expenses rose by EUR 0.7 million from EUR 4.0 million to EUR 4.7 million. This is partly due to the taking over of the employees as part of the Temmler acquisition which were included for the first time for the entire financial year and also the taking over of the external sales staff previously hired from an external agency.

Other operating expenses rose from EUR 5.7 million to EUR 6.5 million, mainly due to the losses on disposals of intangible assets of EUR 0.8 million. Major other items are costs of scientific information and advertising amounting to EUR 1.1 million (prior year: EUR 0.9 million) and external services amounting to EUR 0.8 million (prior year: EUR 1.0 million).

Scheduled depreciation on fixed assets amounted to EUR 0.4 million as in the previous year.

3.2. Assets Position

The balance sheet total excluding capital deficit has been reduced by EUR 0.5 million from EUR 18.1 million to EUR 17.6 million. This change is attributable almost exclusively to current assets (EUR 0.7 million) in which inventories rose by EUR 2.4 million, receivables and other assets reduced by EUR 0.5 million and cash and cash equivalents significantly reduced by EUR 2.6 million.

The decrease in the balance sheet total on the liability side is explained primarily by a decrease in liabilities of EUR 2.3 million, in particular to affiliated companies (EUR 3.2 million), as well as an increase in liabilities to credit institutions of EUR 2.1 million Euro and a decrease in other liabilities by Euro 1.1 million.

Other provisions and accruals decreased compared with the previous year by EUR 0.6 million. This is primarily attributable to the decrease in other provisions in the area of "rebates to health insurance companies". In addition, a tax provision of EUR 0.2 million is included.

3.3. Financial Position

Hormosan Pharma GmbH could honour its financial obligations in the 2016/2017 financial year and can utilise a sufficient level of liquid reserves and available credit facilities. As at the balance sheet, liquid funds amounted to EUR 1.8 million (prior year: EUR 4.4 million) date a credit line of EUR 0.8 million which was not utilised. Short-term bank loans were increased from EUR 5.2 million in the previous year to EUR 7.2 million as at 31 March 2017. As of 1 April 2017, the shareholder Lupin Holdings B.V. Amsterdam, the Netherlands issued a letter of support. Lupin Holdings B.V. hereby undertakes to provide Hormosan Pharma GmbH with liquid funds until 31 March 2018, at its first request so that Hormosan Pharma GmbH can meet its due payment obligations.

Investments in intangible assets amounted to EUR 1.5 million (prior year: EUR 0.7 million) and mainly relate to drug approvals. The fixed assets are financed to 40.8% by shareholder's equity and long-term debt.

Equity amounted to EUR 0.4 million (prior year: capital deficit of EUR 1.8 million). The equity ratio is therefore amounts to 2.2% (prior year: negative).

4. Outlook

In the following financial years, the company's focus will be on expanding both the specialty business and further growth in the core indication areas of pain and HIV. Successful implementation of these strategic objectives requires the integration of all departments, especially marketing and sales.

Hormosan Pharma GmbH plans to generate sales revenues of EUR 36.7 million for the 2017/2018 financial year. This sales planning requires the further consistent implementation of the strategic realignment. Margin-weak sales from tenders form only a basic coverage and a strategic means to place products nationwide in the distribution channels and the pharmacies as a final point of sale. An important part of the planned growth is to be achieved with products already introduced or the introduction of pending new products. Most of these projects are implemented for the upcoming financial year or are in the final phase of the implementation. It is expected that the 2017/2018 financial year will show a profit of EUR 3.9 million.

The planned increase in sales revenues requires a goal-oriented use of the available resources in the external sales service. A further expansion is currently not planned. Employee performance-based compensation systems (bonuses) exist in all areas, so that the relevant success potentials can be exploited. In addition, at the beginning of the new 2017/2018 financial year the external sales service will be supplemented by two new employees. The aim is to optimise the external sales service structures thereby creating the conditions for the care of the clinics and to intensify the cooperation with the wholesale trade.

The expectations for the coming financial year assume a continuation and an extension of the positive trend from the current reporting year and therefore it is expected that no further increases in debt for the operational area will be required in the 2017/2018 financial year.

5. Opportunities and Risks

5.1. Opportunity Management

A continuous opportunity management process within the company exists to secure sustainable business success. Basis for the use of the growth opportunities are strategic success factors securing lasting success. Comprehensive product planning and licensor analysis are classed as significant strategic success factors. The distribution structure is characterised by the implementation of a regional external sales force. The qualified staff has many years of experience in the field of pharmacy. The strategic decisions are integrated into the strategic policy of the group.

The main financial parameters of Hormosan Pharma GmbH include not only strategic and operative targets but also key financial indicators. The financial performance indicators that are used by Hormosan Pharma GmbH for operational management mainly include net sales revenues and net profit for the year.

5.2. Risk Management

Risks pertain to future developments or events that which can lead to a negative deviation from Hormosan Pharma GmbH's projected business objectives. Risk management is seen by Hormosan Pharma GmbH as a permanent task with the aim to enable the management to identify, evaluate and control risks.

- **Financial Risks**

Essentially, financial risks with appropriate severity can be classified as a going concern risks.

Hormosan Pharma GmbH is also expected to fulfil its financial payment obligations in the following year. The objective of liquidity management is to ensure the continued ability to pay and financial flexibility of Hormosan Pharma GmbH by ensuring a sufficient level of liquidity reserves and available credit facilities.

A significant sales growth and increase in profitability in the future can be assumed through the significant expansion of the product portfolio. The business model of Hormosan Pharma GmbH is based on a short-term collection of revenues so no liquidity bottlenecks are expected in the future. The future growth in sales is to be achieved by the permanent employees in both internal and external sales areas. No major new appointments are planned for the new financial year. The planned sales increases are based on the already implemented personnel increases in the sales area.

There are default risks for with respect to trade receivables. The accounts receivable and the age structure of these claims are analysed on a monthly basis in order to be able to initiate the necessary collection measures.

- **Regulatory Risks**

The German pharmaceutical market is exposed to interventions by the government with the aim of reducing expenditure. This manifests itself concretely at the level of manufacturer rebates, the extension of the tender activities for generic products, and by restricting the eligibility of products and the formation of reference price groups. Approximately 70% of the generic drugs are subject to rebates and the profit margins are consequently considerably reduced. These facts will continue to persist overall and affect the price formation and indirectly also the volumes and thus significantly further restrict the market opportunities. It is expected that the election in Germany, which is due to take place during the 2017/2018 financial year, will not lead to any significant changes in health policy and market conditions.

- **Product Portfolio Risks**

In addition to the regulatory impact, medical research and development as well as the daily findings on active substances and products may also affect the saleability of products. Thus, there is always some risk that the current product portfolio must be supplemented or substituted. There are also risks in the development of products that can delay the start of marketing. This is particularly true for companies such as Hormosan Pharma GmbH, which also rely on new products for sales growth.

- **Procurement Risks**

Hormosan Pharma GmbH was exposed in the past financial year for certain preparations to the risk of supply shortages that have existed in part over some months. This is due to the fact that a change of supplier of medicinal products is not possible in the short term and Hormosan Pharma GmbH in this respect is fully dependent on its suppliers. This risk has already been significantly reduced. The aim is to continue this improvement in the coming financial year. Further optimisation of inventories and a reduction in the dependency on individual suppliers will systematically counteract this risk.

Changes in the procurement prices of important medicinal products can also have a significant effect on the earnings position of Hormosan Pharma GmbH.

- **Personnel Risks**

No personnel shortages are expected in particular due to the level of qualified staff and the additional recruitment in finance and accounting carried out in the reporting year. On average, 59 employees (prior year: 56) were employed.

- Compliance Risks

It is the declared objective of Hormosan Pharma GmbH to handle all business processes exclusively within the framework of the respective laws and regulations as well as internal guidelines. Hormosan has therefore set up a compliance system which is based on the applicable laws and checks for adherence to them. Each employee attends regular training and is informed about the existing compliance guidelines, tailored to his / her respective area of responsibility. Hormosan is convinced that the compliance system has made sufficient provision for compliance with national and international rules. However, training and compliance policies cannot fully ensure that employees do not inadvertently, negligently or deliberately violate laws, regulations, or internal policies. Such violations may interfere with internal business processes and adversely affect the financial position.

- Economic Risks

Hormosan Pharma GmbH operates as a distributor in the domestic pharmaceutical market. The pharmaceutical market is only partially dependent on the overall economy; it is driven rather by the factors of "disease development", new therapeutic approaches and the constantly increasing cost pressure.

- Currency Risks

A significant foreign currency risk does not exist for Hormosan Pharma GmbH, as all the relevant costs and income are transacted in Euros.

6. Other Information

6.1. Research and Development

Hormosan Pharma GmbH is not involved in any development of its own products. The expansion of the product portfolio is based firstly on purchased licenses from third parties as licensors and secondly on products developed by Group companies. Finished developments are taken over when they are registered or from approvals already granted.

6.2. Branch Report

Hormosan Pharma GmbH does not have any branches.

Frankfurt am Main, Germany, 28 April 2017

The Management Board of Hormosan Pharma GmbH

(Dr. Werner Schneider)

(Anita Schlemeier)

(Thierry Volle)

(Dr. Sofia Mumtaz)

(Ramesh Swaminathan)

Balance Sheet as at 31 March 2017

ASSETS		SHAREHOLDERS' EQUITY AND LIABILITIES	
		31.03.2017	Prior year
		EUR	EUR
A.	FIXED ASSETS		
I.	Intangible assets		
1.	Industrial property rights and similar rights and licenses to such rights and assets acquired for a consideration	2,672,874.33	2,464,892.68
2.	Payments on account	458,537.15	512,993.14
		<u>3,129,511.48</u>	<u>2,977,885.82</u>
II.	Tangible assets		
1.	Land and buildings	809,293.68	827,387.24
2.	Fixtures, fittings and office equipment	84,565.87	39,702.98
		<u>993,859.55</u>	<u>867,090.22</u>
III.	Financial assets		
	Shares in cooperatives	500.00	500.00
		<u>4,023,871.03</u>	<u>3,845,476.04</u>
B.	CURRENT ASSETS		
I.	Inventories		
1.	Raw materials and consumables	48,422.80	76,417.53
2.	Finished goods and goods held for resale	7,612,827.11	5,179,938.77
		<u>7,662,249.91</u>	<u>5,255,356.30</u>
II.	Receivables and other assets		
1.	Trade receivables	3,645,816.72	3,288,846.60
2.	Receivables from affiliated companies	270,504.60	976,688.19
3.	Other assets	138,104.54	284,346.34
		<u>4,054,425.86</u>	<u>4,569,881.13</u>
III.	CASH AND BANK BALANCES	1,818,927.31	4,425,740.48
		<u>13,535,603.08</u>	<u>14,250,877.81</u>
C.	PREPAYMENTS AND DEFERRED CHARGES	18,836.41	12,643.32
D.	CAPITAL DEFICIT	0.00	1,834,325.53
		<u>17,578,310.52</u>	<u>19,943,422.80</u>
A.	EQUITY		
I.	Subscribed capital	122,900.00	122,900.00
II.	Capital reserves	15,166,810.22	15,166,810.22
III.	Revenue reserves	1,463,834.95	1,463,834.95
IV.	Accumulated losses brought forward	-18,587,870.70	-19,089,317.92
V.	Net profit for the year	2,225,600.19	481,447.22
		<u>391,274.66</u>	<u>-1,834,325.53</u>
	Capital deficit - transfer to assets side D.	0.00	1,834,325.53
		<u>391,274.66</u>	<u>0.00</u>
B.	ACCUALS AND PROVISIONS		
1.	Tax accrual	179,421.00	0.00
2.	Other accruals and provisions	4,173,814.68	4,813,876.13
		<u>4,353,235.68</u>	<u>4,813,876.13</u>
C.	LIABILITIES		
1.	Liabilities due to credit institutions	7,219,632.68	5,163,386.48
2.	Trade payables	761,639.36	1,799,739.18
3.	Liabilities due to the shareholder	1,250,000.00	1,250,000.00
4.	Liabilities due to affiliated companies	3,434,494.18	6,692,063.72
5.	Other liabilities	168,033.98	244,375.31
		<u>12,833,800.20</u>	<u>15,129,566.67</u>
		<u>17,578,310.52</u>	<u>19,943,422.80</u>

Hormosan Pharma GmbH, Frankfurt am Main, Germany

Profit and loss account for the period from 1 April 2016 to 31 March 2017

	2016 / 2017 EUR	Prior year EUR
1. Sales revenues	28,038,434.32	21,142,778.53
2. Other operating income	127,149.31	1,478,585.21
3. Cost of materials		
a) Cost of raw materials and supplies and purchased goods	13,366,758.09	11,841,372.68
b) Cost of purchased services	594,914.62	0.00
4. Gross profit	14,203,910.92	10,779,991.06
5. Personnel expenses		
a) Wages and salaries	4,081,485.64	3,505,798.37
b) Social security costs and costs for pensions and similar costs	630,045.28	480,580.40
	4,711,530.92	3,986,378.77
6. Depreciation / amortisation on intangible and tangible fixed assets	431,609.99	404,983.65
7. Other operating expenses	6,533,986.77	5,740,946.88
8. Earnings before interest and taxes	2,526,783.24	647,681.76
9. Other interest and similar income	1,741.75	1,633.84
10. Interest and similar expenses	119,544.52	163,909.10
11. Taxes on income and earnings	179,421.00	0.00
12. Earnings after taxes	2,229,559.47	485,406.50
13. Other taxes	3,959.28	3,959.28
14. Net profit for the year	2,225,600.19	481,447.22

Hormosan Pharma GmbH, Frankfurt/Main, Germany
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
FROM 1 APRIL 2016 TO 31 MARCH 2017

1. General Information

The financial statements as at 31 March 2017 of Hormosan Pharma GmbH have been prepared in accordance with the provisions of the German Commercial Code (HGB) applicable to medium-sized corporations and the supplementary regulations of the Limited Liability Companies Act (GmbHG). Size-related reliefs pursuant to Sec. 288 para. 2 of the German Commercial Code (HGB) have been utilised. Hormosan Pharma GmbH is registered with the District Court of Frankfurt am Main, Germany, under the number HR B 8706 in the commercial register.

2. Accounting and Valuation Principles

Intangible assets acquired from third parties are stated at acquisition cost less straight-line amortisation. The additions of intangible assets during the reporting period are amortised pro rata according to the linear method. License rights for drug approvals are amortised over 5 to 10 years.

Tangible assets are valued at acquisition cost less depreciation over their individual useful life. Low-value assets (costing up to EUR 410) are fully depreciated in the year of acquisition in accordance with Sec. 6 para. 2 of the Income Taxes Act (EStG).

Movable and immovable fixed assets are generally depreciated on a straight line basis. The economic useful lives are as follows:

Commercial and residential buildings	12 to 50 years
Fixtures, fittings and office equipment	3 to 13 years

Financial assets are valued at acquisition cost.

The raw materials and supplies included in **inventories** are valued at purchase cost or at the lower replacement costs. Goods held for sale are valued at purchase cost or at the lower replacement cost or the lower expected sales prices less costs still to be incurred prior to sale. Purchase costs are determined based on moving average prices.

Receivables and other assets have been stated at acquisition cost. Specific risks and the general credit risk is covered by appropriate individual or general provisions.

Foreign currency receivables are translated at the rate on the transaction date. Receivables with a maturity of up to one year are uniformly converted at the reporting date using the spot exchange rate. In respect to receivables with a maturity of more than one year, the conversion is performed as at the reporting date using the spot exchange rate only when this results in a lower receivable value.

Prepaid expenses and deferred charges are those incurred prior to the balance sheet date but relate to a certain time after this date.

Deferred taxes are recognised on differences between commercial and tax valuation of assets, liabilities and prepaid expenses, provided that these differences are expected to reverse again in later years and arise from tax burdens or tax benefits. Loss carryforwards are taken into account insofar as they can be offset against taxable income within the next five years. In the measurement of deferred taxes, the combined income tax rate of 32.0% is taken as a basis. This includes corporation tax at

15.0% and a solidarity surcharge of 5.5% thereon and also includes trade tax at an average rate of 16.1%. After offsetting deferred tax assets and deferred tax liabilities - as in the previous year - there is a tax loss that is not recognised in the balance sheet and essentially results from valuation differences for other provisions and from losses carried forwards.

Provisions and accruals have been set up for contingent liabilities taking into account expected future price and cost increases. Provisions with a remaining term of more than one year are discounted according to their remaining term to maturity using the average market interest rate of the past seven years as determined by the Deutsche Bundesbank.

Liabilities are stated at the settlement amount.

Foreign currency liabilities are translated at the rate on the transaction date. Liabilities with a maturity of up to one year are uniformly converted at the reporting date using the spot exchange rate. In respect to liabilities with a maturity of more than one year, the conversion is performed as at the reporting date using the spot exchange rate only when this results in lower a higher liability value.

3. Changes in Presentation

As a result of the Accounting Directive Implementation Act (BilRUG), the definition of revenue has been extended so that in 2016, the selected items have been reclassified from other operating income to sales revenues. Had the comparative figures for the previous year also been changed, then KEUR 1,443 would have been reclassified from other operating income to sales revenues.

Corresponding to this, selected items have been reclassified from other operating expenses to costs for purchased services reported as part of cost of materials. If the previous year's statements had also been changed, then KEUR 637 would have been reclassified from other operating expenses to the cost of purchased services.

The comparability of sales revenues, other operating income and costs of purchased services which are reported as part of cost of materials and other operating expenses, is therefore limited.

In addition, the subtotal "Profit from ordinary activities" of KEUR 485 in the previous year has been eliminated in the profit and loss account presentation as part of the conversion to BilRUG. The subtotal "earnings after tax" has been added.

4. Notes to the Balance Sheet

Fixed Assets

The development of fixed assets including historical cost and accumulated depreciation/amortisation is illustrated separately in the fixed assets development schedule shown in the Annex to these Notes.

Receivables and Other Assets

In the previous year, other assets of KEUR 8 had a remaining term of more than one year (31 March 2017: KEUR 0). As in the previous year, all receivables and the remaining other assets have a remaining term of less than one year.

As in the prior year, receivables from affiliated companies include trade receivables.

Other Provisions and Accruals

Other provisions and accruals include provisions for discounts to health insurance companies (kEUR 1,705; prior year: kEUR 3,061), provisions for refunds (kEUR 674; prior year: kEUR 318) and personnel provisions (kEUR 527k; prior year: kEUR 521k).

Liabilities

The breakdown of liabilities is shown in the following table:

	Total as at 31.03.2017 EUR	up to 1 year EUR	Remaining term more than 1 year EUR	more than 5 years EUR
Liabilities to credit institutions (prior year)	7,219,632.68 (5,153,368.48)	7,219,632.68 (4,686,355.74)	0.00 (311,423.82)	0.00 (155,588.92)
Trade payables (prior year)	761,639.36 (1,799,739.16)	761,639.36 (1,799,739.16)	0.00 (0.00)	0.00 (0.00)
Liabilities due to the shareholder (prior year)	1,250,000.00 (1,250,000.00)	0.00 (0.00)	1,250,000.00 (1,250,000.00)	0.00 (0.00)
Liabilities due to affiliated companies (prior year)	3,434,494.18 (6,682,063.72)	3,434,494.18 (6,682,063.72)	0.00 (0.00)	0.00 (0.00)
Other liabilities (prior year)	168,033.98 (244,375.31)	168,033.98 (244,375.31)	0.00 (0.00)	0.00 (0.00)
31.03.2017 (31.03.2016)	12,833,800.20 (15,129,546.67)	11,583,800.20 (13,412,533.93)	1,250,000.00 (1,561,423.82)	0.00 (155,588.92)

The liabilities to the shareholder are also liabilities to affiliated companies and relate to loans. The liabilities to affiliated companies are trade liabilities resulting from service and supply transactions.

Other liabilities include tax liabilities of kEUR 164 (prior year: kEUR 238).

Contingent liabilities

There are no contingent liabilities.

Other financial obligations

The total amount of other financial obligations amounts to kEUR 540 and relates to lease and rental agreements. Thereof kEUR 251 are due within 1 year and kEUR 289 between 2 to 3 years.

5. Notes to the Profit and Loss Account

Sales Revenues

Sales revenues amounting to kEUR 28,038 (prior year: kEUR 21,143) are derived from the sale of generic drugs and were generated exclusively in Germany. In addition, sales revenues include income from Group recharges and rents amounting to kEUR 1,635 (prior year: kEUR 0).

Other Operating Income

Other operating income includes (non-period) booking out of liabilities (kEUR 96; prior year: kEUR 0) and, in addition in the previous year, income from Group recharges and rents amounted to kEUR 1,443. Income from currency translation amounted to kEUR 2 (prior year: kEUR 15).

Personnel Expenses

The expenses for pensions amounted to kEUR 16 (prior year: kEUR 11).

Other Operating Expenses

The largest items included within other operating expenses are the cost of scientific information and advertising amounting to kEUR 1,071 (prior year: kEUR 901), third-party services amounting to kEUR 827 (prior year: kEUR 983) as well as consulting fees amounting to kEUR 824 (prior year: kEUR 846k). (Non-period) losses were incurred from the disposal of intangible assets of kEUR 848 (prior year: kEUR 6). Expenses arising from currency translation amounted to kEUR 50 (prior year: kEUR 24). Non period expenses kEUR 139 (prior year: kEUR 0) relating to insurance expenses for prior years have been incurred.

Interest expenses

Interest expenses to affiliated companies amounted to kEUR 16 (prior year: kEUR 25).

6. Other disclosures

Management

Mr. Dr. Werner Schneider, until 06.02.2017 all departments, since 07.02.2017 Business Development

Mrs. Anita Schlemeier, since 07.02.2017 all departments excluding Business Development

Mr. Ewan Livesey, until 29.08.2016, SVP - Corporate Development, Head of Legal & Country Manager, Lupin Atlantis Holdings S.A., Zug (Switzerland)

Mr. Thierry Volle, since 29.08.2016, Président EMEA Lupin Atlantis Holdings S.A. Zug (Switzerland)

Mrs. Dr. Sofia Mumtaz, President – IPMG (Department: New Products & Licensing) Ltd., Pune (India)

Mr. Ramesh Swaminathan, President – Finance & Planning, Lupin Ltd., Mumbai (India)

The disclosure of the total emoluments of management has been omitted in accordance with Sec. 286 para. 4 of the German Commercial Code (HGB) as only 2 persons received remuneration from Hormosan.

Employees

The company employed on average 59 persons (prior year: 56).

Auditor's Fees

Auditor's total fees for the financial year amounted to kEUR 72 (prior year: kEUR 45) and relate to audit services.

Significant events after the balance sheet date

No events of particular significance have occurred after the end of the financial year, which are not included in the profit and loss account or in the balance sheet.

Inclusion in Consolidated Financial Statements

Hormosan Pharma GmbH is included in the consolidated financial statements of Lupin Ltd., Mumbai, India, which prepares the consolidated financial statements for the largest consolidated group. The consolidated financial statements of Lupin Ltd. are available under www.Lupin.com/annual-reports.php.

Frankfurt/Main, Germany, 28 April 2017.

The Management Board

(Dr. Werner Schneider)

(Anita Schlemmer)

(Thierry Vole)

(Dr. Sofia Mumtaz)

(Ramesh Swaminathan)

Development of fixed assets as at 31 March 2017

	Acquisition costs				Accumulated depreciation/amortisation				Net book values	
	Balance 01.04.2016 EUR	Additions EUR	Transfers EUR	Disposals EUR	Balance 01.04.2016 EUR	Additions EUR	Disposals EUR	Balance 31.03.2017 EUR	Balance 31.03.2016 EUR	
I. Intangible assets										
1. Industrial property rights and similar rights and licenses to such rights and assets acquired for a consideration	5,389,601.12	1,066,017.99	451,478.14	2,189,068.21	2,901,708.44	384,669.60	1,264,323.23	2,022,054.71	2,972,974.33	
2. Payments on account	512,993.14	395,022.15	-451,478.14	0.00	0.00	0.00	0.00	459,537.15	512,993.14	
	5,879,594.26	1,461,040.14	0.00	2,189,068.21	2,901,708.44	384,669.60	1,264,323.23	2,022,054.71	3,129,511.48	
ii. Tangible assets										
1. Land and buildings	2,572,013.68	0.00	0.00	0.00	1,744,828.44	18,093.56	0.00	1,762,720.00	809,293.68	
2. Fixtures, fittings and office equipment	653,861.84	73,712.32	0.00	10,760.15	613,958.88	28,646.93	10,757.65	632,048.14	84,565.97	
	3,225,675.52	73,712.32	0.00	10,760.15	2,358,887.32	46,740.49	10,757.65	2,394,768.14	893,859.65	
iii. Financial assets										
Shares in cooperatives	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00	
	9,105,769.78	1,534,752.46	0.00	2,199,828.36	5,260,253.74	491,609.99	1,275,080.88	4,416,822.85	4,023,871.03	
									3,845,476.04	

[Independent] Auditor's Opinion

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – together with the bookkeeping system and management report of Hormosan Pharma GmbH, Frankfurt/Main, Germany, for the financial year from 1 April 2016 to 31 March 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 legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. 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 and management report in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and 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 the legal representatives, 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 findings of our audit, the annual financial statements of Hormosan Pharma GmbH, Frankfurt/Main, Germany, comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an appropriate view of the company's position and appropriately presents the opportunities and risks of future development.

Frankfurt am Main, Germany, 28 April 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

signed
(Ludwig)
Wirtschaftsprüfer
[German Public Auditor]

signed
(Wiesner)
Wirtschaftsprüfer
[German Public Auditor]

Remark:

This PDF file of the long-form audit report represents a legally non-binding copy. Legally binding is only the delivered signed and bound printed report!

[Translator's notes are in square brackets]

General Engagement Terms

for
Wirtschaftsprüfer und 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*) [Translator's 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 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 (*Steuerberatungvergütungsverordnung*) 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 (*Verbraucherschlichtungsgesetz*).

15. Applicable law

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