

Versatile-Audit Kft.

4400 Nyíregyháza, Munkás u. 53.

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

Számlaszám: TAKARÉK Szövetkezeti Hitelintézet 54900062-

10010712 00000000



INDEPENDENT AUDITOR'S REPORT

To the shareholders of *ALKALOIDA Chemical Company Zrt*

Opinion

We have audited the accompanying annual financial statements of *ALKALOIDA Chemical Company Zrt* (hereinafter referred to as "the Company") which comprise the balance sheet as at 31 Marcius 2018 in which the balance sheet total is USD 573 926 945, the equity USD 376 573 393, the netto revenues USD 21 487 223, the loss after tax per balance sheet is USD 1 563 207, the related income statement for the year then ended, and supplementary notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as of 31 Marcius 2018, and of its financial performance for the year then ended in accordance with the provisions of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "Act on Accounting").

Basis for Opinion

We conducted our our audit in accordance with Hungarian National Standards on Auditing and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, as well as with respect to issues not covered by these Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

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

Other Information: the Business Report

The other information comprises the business report of the Company for the year 201X. Management is responsible for the preparation of the business report in accordance with the provisions of the Act on Accounting and other relevant regulations, if any. Our opinion on the annual financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the business report.

In connection with our audit of the annual financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the other information is materially misstated we are required to report this fact and the nature of such misstatement.

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the provisions of the Act on Accounting and other applicable legal requirements, and to express an opinion on this and on whether the business report is consistent with the annual financial statements.

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Our opinion, the 2017 business report of the Company is consistent, in all material respects, with the 2017 annual financial statements of the Company and the business report has been prepared in accordance with the applicable provisions of the Act on Accounting. As there are no other legal requirements that are applicable to the business report of the Company, therefore, we do not express an opinion in this respect.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with the Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern; and management is responsible for preparing the annual financial statements on a going concern basis. Management shall apply the going concern basis of accounting unless the use of going concern principle is precluded by any provision of other applicable laws or regulations, or if any fact or circumstance prevails, which precludes the Company to continue as a going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the annual financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies, if any, in internal control that we identify during our audit.

Nyíregyháza, 15th April 2018.

.....
János Varga
Registered Auditor
Licence No. 002059
12 Kando K. street, 4400 Nyíregyháza

.....
Sándorné Piroska
Versatile - Audit Kft
Licence No. 002430
53 Munkas street, 4400 Nyíregyháza

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Statistical code

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Company registration number

ALKALOIDA Chemical Company Zrt.

01.

"A" BALANCE Assets

USD

No.	Item	Previous year 31/03/2017	Previous year(s) modifications	Reference year 31/03/2018
a	b	c	d	e
002	A FIXED ASSETS (03.+11.+19.)	523,856,514	0	529,410,280
003	I. INTANGIBLE ASSETS (04. ... 10.)	35,196	0	80,663
004	1 Capitalised value of foundation and restructuring costs			
005	2 Capitalised value of research and development	0		0
006	3 Concessions and similar rights and assets k			
007	4 Intellectual property	35,196		80,663
008	5 Goodwill			
009	6 Advance payments on intangible assets			
010	7 Revaluation of intangible assets			
011	II. TANGIBLE ASSETS (12. ... 18.)	43,709,099	0	43,235,626
012	1 Land and buildings and related concessions and similar rights	35,068,229		34,632,228
013	2 Technical equipment, machinery and vehicles	4,194,288		4,009,506
014	3 Other equipment, fittings and vehicles	3,667,170		3,634,702
015	4 Breeding stock	0		0
016	5 Capital WIP, renovations	773,924		812,190
017	6 Advance payments on Capital WIP	5,488		147,000
018	7 Revaluation of tangible assets			
019	III. FINANCIAL INVESTMENTS (20. ... 29.)	480,112,219	0	486,093,991
020	1 Long term investments in related companies	258,623,479		259,607,265
021	2 Long term loans given to related companies	221,488,740		226,486,726
022	3 Long term investments in non-related companies			
023	4 Long term loans given to non-related companies			
024	5 Other long term investments			
025	6 Long term loans given to other investees			
026	7 Other long term loans given			
027	8 Securities representing long term loans			
028	9 Revaluation of financial investments			
029	10 Valuation difference of Financial investments			
030	B CURRENT ASSETS (31.+38.+47.+54.)	36,699,684	0	42,559,965
031	I. INVENTORIES (32. ... 37.)	24,264,070	0	29,244,130
032	1 Raw materials and consumables	8,287,847		10,382,522
033	2 Work in progress and semi-finished products	6,282,792		9,987,727
034	3 Animals	0		
035	4 Finished goods	9,055,333		8,571,460
036	5 Goods	0		
037	6 Advance payments on inventories	638,098		302,421
038	II. RECEIVABLES (39. ... 46.)	9,333,021	0	11,633,100
039	1 Trade accounts receivable	1,180,859		1,609,456
040	2 Receivables from related companies	6,626,896		8,893,444
041	3 Receivables from non-related companies	0		
042	4 Receivables from other investees	0		
043	5 Bills of exchange receivables	0		
044	6 Other receivables	1,525,266		1,130,200
045	7 Valuation difference of Receivables	0		0
046	8 Positive valuation difference of derivatives	0		0
047	III. MARKETABLE SECURITIES (48. ... 53.)	0	0	0
048	1 Investments in related companies	0		0
049	2 Investment in non-related companies in a significant degree	0		0
050	3 Other investments	0		0
051	4 Own shares, own quotas	0		0
052	5 Securities representing loans held for sale	0		0
053	6 Valuation difference of securities	0		0
054	IV. LIQUID ASSETS (55.+56.)	3,102,593	0	1,682,735
055	1 Cash in hand, cheques	5,719		3,751
056	2 Bank deposits	3,096,874		1,678,984
057	C PREPAID EXPENSES AND ACCRUED INCOME (58. ... 60.)	7,438,233	0	1,956,700
058	1 Accrued income	7,175,638		1,741,533
059	2 Prepaid expenses	262,595		215,167
060	3 Deferred expenses	0		0
061	TOTAL ASSETS (02.+30.+57.)	567,994,431	0	573,926,945

Date: TISZAVASVARI, APRIL 15, 2018

head of the company
(representative)

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Company registration number

ALKALOIDA Chemical Company Zrt.

62.

"A" BALANCE Liabilities

USD

No	Item	Previous year 31/03/2017	Previous year(s) modifications	Reference year 31/03/2018
a	b	c	d	e
063	D SHAREHOLDERS' EQUITY (64.+66. ... 70.+ 73.)	378,136,602	0	376,573,393
064	I. ISSUED CAPITAL	89,260,220		89,260,220
065	Of line 64: ownership shares repurchased at face value	0		0
066	II. ISSUED BUT NOT PAID CAPITAL (-)	0		0
067	III. CAPITAL RESERVES	296,794,237		296,794,237
068	IV. RETAINED EARNINGS FROM PREVIOUS YEAR	12,304,972		-7,917,857
069	V. NON DISTRIBUTABLE RESERVES	0		
070	VI. REVALUATION RESERVE	0		
071	1. Revaluation reserve for value adjustment			
072	2. Revaluation reserve for value assessment			
073	VII. PROFIT AFTER TAX	-20,222,827		-1,563,207
074	E PROVISIONS (75. ... 77.)	0	0	47,650
075	1 Provisions for expected liabilities	0		47,650
076	2 Provisions for future expenses			
077	3 Other provisions			
078	F LIABILITIES (79.+84.+94.)	186,376,129	0	191,864,848
079	I. SUBORDINATED LIABILITIES (80. ... 83.)	0	0	0
080	1 Subordinated liabilities to related companies			
081	2 Subordinated liabilities to companies with investment at relevant degree			
082	3 Subordinated liabilities to other investees			
083	4 Subordinated liabilities to other enterprises			
084	II. LONG TERM LIABILITIES (85. ... 93.)	183,210,351	0	188,093,409
085	1 Long term credits			
086	2 Convertible bonds			
087	3 Debt on the issue of bonds			
088	4 Investment and development loans			
089	5 Other long term loans			
090	6 Long term liabilities to related companies	183,203,155		188,091,708
091	7 Long term liabilities to non related but invested companies			
092	8 Long term liabilities to other investees	0		0
093	9 Other long term liabilities	7,196		1,701
094	III. SHORT TERM LIABILITIES (95. ... 106.)	3,165,778	0	3,771,439
095	1 Short term credits			
096	Of line 95: convertible bonds			
097	2 Short term loans	5,263		6,477
098	3 Advance payments received from customers	0		97,688
099	4 Trade accounts payable	1,531,532		1,477,840
100	5 Bills of exchange payable	0		
101	6 Short term liabilities to related companies	1,545,903		2,112,371
102	7 Short term liabilities to non related but invested companies			
103	8 Short term liabilities to other investees	0		0
104	9 Other short term liabilities	83,080		77,063
105	10 Valuation difference of liabilities			
106	11 Negative valuation difference of financial derivatives			
107	G ACCRUED EXPENSES AND DEFERRED INCOME (108. ... 110.)	3,481,700	0	5,441,054
108	1 Deferred revenues			
109	2 Accrued expenses and deferred income	2,983,381		4,962,767
110	3 Deferred income	498,319		478,287
111	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (63.+74.+78.+107.)	567,994,431	0	573,926,945

Date: TISZAVASVARI, APRIL 15, 2018

head of the company
(representative)

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Company registration number

ALKALOIDA Chemical Company Zrt.

"B" STATEMENT OF INCOME

(with turnover cost method)

USD

No	Item	Previous year 31/03/2017	Previous year(s) modifications	Reference year 31/03/2018
a	b	c	d	e
001	01. Net domestic sales	915,986		1,254,347
002	02. Net export revenues	23,165,815		20,232,876
003	I. NET SALES REVENUES (01+02)	24,081,801	0	21,487,223
004	03. Direct cost of sales	25,627,533		21,730,887
005	04. Cost of goods sold	2,239,544		342,048
006	05. Value of services provided	13,324		3,718
007	II. DIRECT COST OF SALES (03+04+05)	27,880,401	0	22,076,653
008	III. GROSS SALES INCOME (I.-II.)	-3,798,600	0	-589,430
009	06. Cost of sales	670,456		611,510
010	07. Administration cost	4,103,251		5,251,160
011	08. Other overheads	180,113		207,168
012	IV. INDIRECT COST OF SALES (06+07+08)	4,953,820	0	6,069,838
013	V. OTHER INCOME	238,989		1,711,047
014	- thereof: loss of value written back	105,741		334,669
015	VI. OTHER EXPENDITURES	9,567,272		4,202,814
016	- thereof: loss of value	7,537,206		3,314,343
017	A. TRADING PROFIT (+-III-IV+V-VI)	-18,080,703	0	-9,151,035
018	09. Dividend received			
019	- Of which: received from related companies			
020	10. Gain on sale of investment			
021	- Of which: received from related companies			
022	11. Interest received and gain on financial investments			
023	- Of which: received from related companies			
024	12. Other interest received	7,334,575		8,489,230
025	- Of which: received from related companies	7,332,741		8,487,244
026	13. Other revenues from financial transactions	84,336		3,492,105
027	- Of which: Valuation difference			
028	VII. REVENUES FROM FINANCIAL TRANSACTIONS (09+10+11+12+13)	7,418,911	0	11,981,335
029	14. Financial and foreign exchange loss of investments			
030	- Of which: related companies			
031	15. Financial and foreign exchange loss of long term financial assets (securities, loans)	5,272,461		1,500,037
032	- Of which: paid to related companies	5,272,461		1,500,037
033	16. Interest paid	1,970,241		2,755,518
034	- Of which: given to related companies	1,968,553		2,754,154
035	17. Losses on shares, securities and bank deposits	102,079		0
036	18. Other expenditures of financial transactions	2,216,254		107,862
037	- of which: valuation difference			
038	VIII. EXPENDITURES OF FINANCIAL TRANSACTIONS (14+15+16+17+18)	9,561,035	0	4,363,417
039	B. FINANCIAL PROFIT (VII.-VIII.)	-2,142,124	0	7,617,918
040	C. NET PROFIT BEFORE TAXATION (+-A+-B)	-20,222,827	0	-1,533,117
041	IX. TAX LIABILITY			30,090
042	D. NET PROFIT PER BALANCE SHEET (±C-IX)	-20,222,827	0	-1,563,207

Date: TISZAVASVARI, APRIL 15, 2018

head of the company
(representative)

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Company registration number

ALKALOIDA Chemical Company Zrt.

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

USD

No.	Item	Previous year 31/03/2017	Previous year(s) modifications	Reference year 31/03/2018
a	b	c	d	e
01.	01. Net domestic sales revenues	915,986		1,254,347
02.	02. Net export sales revenues	23,165,815		20,232,876
03.	I. NET SALES REVENUES (01+02)	24,081,801	0	21,487,223
04.	03. Change in self-manufactured inventories	-2,483,282		6,290,782
05.	04. Capitalised value of self-manufactured assets	0		0
06.	II. CAPITALISED VALUE OF OWN PERFORMANCE (03±04)	-2,483,282	0	6,290,782
07.	III. OTHER INCOME	238,989		1,711,047
08.	Of which: loss of value written back	105,741		334,669
09.	05. Cost of raw materials	11,336,566		13,923,963
10.	06. Value of services used	6,336,473		7,648,906
11.	07. Value of other services	191,487		232,450
12.	08. Cost of goods sold	2,239,544		342,048
13.	09. Value of recharged services	13,324		3,718
14.	IV. MATERIAL-TYPE EXPENDITURES (05+06+07+08+09)	20,117,394	0	22,151,085
15.	10 Wages costs	4,916,175		6,381,942
16.	11. Other payments to personnel	735,554		994,441
17.	12. Personnel related contributions	1,315,283		1,447,503
18.	V. PAYMENTS TO PERSONNEL (10+11+12)	6,967,012	0	8,823,886
19.	VI. DEPRECIATION CHARGE	3,266,533		3,462,302
20.	VII. OTHER EXPENSES	9,567,272		4,202,814
21.	Of which: impairment loss provision	7,537,206		3,314,343
22.	A. TRADING PROFIT (I+II+III-IV-V-VI-VII)	-18,080,703	0	-9,151,035
23.	13. Dividend received			
24.	- Of which: received from related companies			
25.	14. Gain on sale of investment			
26.	- Of which: received from related companies			
27.	15. Financial and foreign exchange gain of long term financial assets (securities, loans)			
28.	- Of which: received from related companies			
29.	16. Other interest received	7,334,575		8,489,230
30.	- Of which: received from related companies	7,332,741		8,487,244
31.	17. Other revenues from financial transactions	84,336		3,492,105
32.	- Of which: valuation difference			
33.	VIII. REVENUES FROM FINANCIAL TRANSACTIONS (13+14+15+16+17)	7,418,911	0	11,981,335
34.	18. Financial and foreign exchange loss of investments			
35.	- Of which: related companies			
36.	19. Financial and foreign exchange loss of long term financial assets (securities, loans)	5,272,461		1,500,037
37.	- Of which: paid to related companies	5,272,461		1,500,037
38.	20. Interest paid	1,970,241		2,755,518
39.	- Of which: given to related companies	1,968,553		2,754,154
40.	21. Losses on shares, securities and bank deposits	102,079		0
41.	22. Other expenditures of financial transactions	2,216,254		107,862
43.	IX. EXPENDITURES OF FINANCIAL TRANSACTIONS (19+20+21+22)	9,561,035	0	4,363,417
44.	B. FINANCIAL PROFIT (VII.-IX.)	-2,142,124	0	7,617,918
45.	C. NET PROFIT BEFORE TAXATION (+A+-B)	-20,222,827	0	-1,533,117
46.	X. TAX LIABILITY	0		30,090
47.	D. NET PROFIT PER BALANCE SHEET (IX.-X.)	-20,222,827	0	-1,563,207

Date: TISZAVASVARI, APRIL 15, 2018

head of the company
(representative)

1 PRESENTATION OF THE COMPANY

Our company limited was established by János Kabay in the North-Eastern part of Hungary, in Tiszavasvári, in 1927, as Alkaloida Chemical Factory. ALKALOIDA Chemical Company Zrt. (hereinafter referred to as “Company”) is the member of the SUN Pharmaceutical Industries Ltd. international corporation based in India.

The abbreviated name of the Company: Alkaloida Chemical Company Zrt

Headquarters, site: Tiszavasvári, Kabay János street 29.

Tax numebr: 10715846-2-15

Company registration number: 15-10-040330

Company owner (ownership:99.99%)

Sun Pharma Holdings

MU-Sesroches & St Louis Streets

Port Louis

Registration number: C114331

Registry office: Republic of Mauritius

Company is involved in consolidation by the SUN PHARMA, prepares its consolidated financial statement.

The person who is entitled for representation of the company and signing the report.

Name: Mihály Kaszás General Manager

Address: 4032 Debrecen, Pápai József street 12.

The company is obliged to audit according to the accounting law.

Data of the auditing company

Company name: Versatile Audit Auditing Company Ltd.

Company registration number: 15-09-071194

Data of the responsible auditor

Name: János Varga

Address: 4440 Nyíregyháza, Kandó Kálmán street. 12

Chamber membership no.: 002059

Person who is responsible for managing the accounting services.

Name: Timea Levenda Baloghné

Address: 4440, Tiszavasvári, Árpád str. 53

Registration number: 176726

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEX 01/04/2017 – 31/03/2018

(DATA IN USD)

Core activities of ALKALOIDA Chemical Company Zrt.

Manufacturing of 2120 Pharmaceutical Products

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

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

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

ALKALOIDA Chemical Company Zrt. has no subsidiary company in Hungary.

Data of foreign subsidiaries are detailed on the Annex 3.-

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

Issued capital stock of the Company: 89.260.220.USD, which is composed of the following elements:

Shares providing general rights

7.033.779 pieces of face values: 0,006 USD/pieces

14.489.167 pieces of face value: 6 USD/pieces

Dividend priority share

36.500 pieces of face value: 6 USD /pieces

Redeemable shares

344.000 pieces of face value: 6 USD /pieces

Small investor shares

2.557 pieces of face value: 0.006 USD/pieces

Ownership structure:

Shareholders	Number of shares				Par value (thousand HUF)				Percentage of ownership	
	31/03/2017		31/03/2018		31/03/2017		31/03/2018		31/03/2017	31/03/2018
	0.006 -USD	6. -USD	0.006 -USD	6. -USD	0.006 -USD	6. -USD	0.006 -USD	6. -USD	%	%
Sun Pharma Holdings Limited (Earlier Known as Nogad Holdings)	7,033,779	14,869,667	7,033,779	14,869,667	42,202.67	89,218,002	42,202.67	89,218,002	100.00%	100.00%
Small investors	2,557		2,557		15.34		15.34		0.00%	0.00%
Total	7,036,336	14,869,667	7,036,336	14,869,667	42,218.02	89,218,002	42,218.02	89,218,002	100.00%	100.00%

2 ACCOUNTING POLICY

1.1 General Information

Form of the report

Based on the legislative criteria determining the form of the report – as the net income, total balance sheet, number of employees – the Company is required to prepare an “Annual report”.

The method of chosen profit and loss statement: **Trade Cost Procedure** („A” version)

The “A” version balance occurs according to the act C. of 2000.

Business year

In accordance with the reporting system of the parent company the business year is determined differently from the calendar year from the 1st April to 31th March based on the article 11(2) of act C of 2000 by the Company.

Date of balance preparation

The date of balance preparation is the 15th April after the period.

Accounting

The company keep the books according to the rules of double-accounting in US dollars.

1.2 Major elements of the accounting policy

During the accounting, the Company enforces the evaluation methods, procedures, the order of value loss accounting are written in the compilation of the annual report, in the accounting principles and accounting policies. This ensures that report is reliable and provides a realistic view on the property of the Company, its composition, financial position and the results of the activities.

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

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

Evaluation procedures applied at the compilation of annaul report.

Intangible Assets

The purchase or production cost of intangible assets reduced with the accumulated depreciation shall be indicated. Calculation of depreciation shall be made with the application of the linear method.

Expectable useful life of intangible assets is the following:

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

The residual value in the case of intangible assets is specified individually. Intellectual products under the purchasing value of 100 000 HUF shall be accounted in full amount.

Tangible Assets

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

Land and buildings	50 -100 years
Technological equipment	7 - 10 years
Other equipment	2 - 7 years

The expectable useful life time of tangible assets is defined with regard to the time of their continuous serviceability.

The reduced value of devices which purchase value is less than 100 000 HUF is accounted for an amount.

Invested Financial Assets

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

Inventory

The purchased stocks are reported. The valuation of stocks of private (own-) production (semi-finished and finished products, work in progress) occurs with the actual production cost determined with post calculation.

Accounting of Securities and Transactions in Foreign Currency

In accordance with Section 60 of the Act on accounting, the determination of the assets and liabilities shall be accounted in USD at the middle exchange rate being valid on the day of the transaction and announced by Hungarian National Bank.

Valuation at Real Value

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

3 COMPLETION TO THE REPORTING DATA

3.1 Composition of assets

Description	Data in USD			
	31/03/2017	31/03/2018	Deviation	Index % 2018/2017
Intangible assets	35,196	80,663	45,467	229.18%
Tangible assets	43,709,099	43,235,626	-473,473	98.92%
Invested financial assets	480,112,219	486,093,991	5,981,772	101.25%
Fixed assets	523,856,514	529,410,280	5,553,766	101.06%
Inventories	24,264,070	29,244,130	4,980,060	120.52%
Receivables	9,333,021	11,633,100	2,300,079	124.64%
Securities	0	0	0	0.00%
Liquid assets	3,102,593	1,682,735	-1,419,858	54.24%
Current assets	36,699,684	42,559,965	5,860,281	115.97%
Accrued and deferred assets	7,438,233	1,956,700	-5,481,533	26.31%
Total of assets	567,994,431	573,926,945	5,932,514	101.04%

3.1.1 Intangible assets

The value of the intangible assets developed during the reporting period according to those contained in annex No.1.

During the business year the value of Intangible assets of the company was increased by the software purchases.

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

3.1.2 Tangible assets

The value of the intangible assets developed during the reporting period according to those contained in annex No.2.

The increase in the tangible assets has been caused by investments exceeding the net value of the accounted depreciation and of the scrapped tangible assets. The value of the activated capital expenditure is 2.855 thousand USD, and the stock of WIP capital expenditure is 812 thousand USD in the reported period.

Changes in the stock are given in the Annex 2.

Renewal and enlarge of assets will continue.

The tangible asset directly serves the protection of environment is the recovery system works on the territory of the Company which data are the followings:

	01/04/2017 Opening USD	Increasing USD	Decreasing USD	31/03/2018 Closing USD
Gross value	5,124,882	0	0	5,124,882
Depreciation	1,559,913	478,406	0	2,038,319
Net value	3,564,969	-478,406	0	3,086,563

Leased assets

Our Company signed leasing contract on cars with value of 39,155 USD in the reporting period, net value of the same at the end of the reporting period is 8.178 USD.

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

3.1.3 Invested Financial Assets

Description	31/03/2017	31/03/2018
Long term investment to associated companies	258,623,479	259,607,265
Long term investment to others	0	0
Long-term credits given to associated companies	221,488,740	226,486,726
Invested financial asset	480,112,219	486,093,991

The development of the Company's share is contained in annex No.3.

Long-term loans are detailed in the Annex 4.

3.1.4 Inventory

Data in USD

Description	31/03/2017	Discard value	Write off	31/03/2018	Index %
Raw Materials and consumables	8,287,847	119,665	345,126	10,382,522	125%
Semi-finished goods and work in pro	6,282,792	416,711	774,409	9,987,727	159%
Live stock	-	-		-	0%
Finished goods	9,055,333	1,436	1,864,932	8,571,460	95%
Goods	-			-	0%
Advance payments for stock, goods	638,098			302,421	0%
Total	24,264,070	537,812	2,984,467	29,244,130	121%

Raw material inventory and WIP increased due to the increment of production output. Advance payment for stock was paid to the SUN Pharma Ltd.

3.1.5 Receivables

Discription	Data in USD	
	31/03/2017	31/03/2018
Domestic trade receivables	48,502.42	64,311.75
Export trade receivables	1,132,356.42	1,545,144.41
Receivables to related companies	6,626,896.00	8,893,444.00
Other receivables	1,525,266	1,130,200
Receivables	9,333,020.84	11,633,100.16

Our receivables from related companies come from delivery of goods and services. At the end of the period the Company has no overdue receivables at related parties. Receivables at parent company: 0
Receivables against subsidiaries: 205,506 USD

Classification of receivables

Description	Data in USD	
	31/03/2017	31/03/2018
Due receivables	1,112,537	1,476,809
Overdue receivables	68,322	132,647
of which: between 0-90 days	62,162	132,494
between 91-180 days	6,160	134
between 181-360 days	-	19
over days	-	0
Total	1,180,859	1,609,456

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

Description	Data in USD	
	31/03/2017	31/03/2018
Opening	189,743	93,771
Growth in devaluation	9,769	7,392
Devaluation writeback	105,741	12,186
Bad debt write-off		
Closing	93,771	88,977

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

Value losses are written back resulted from the receivables devaluated in the previous year, received during the year.

Value loss was not accounted for receivables are relating to the related loss in the value.

The details of other receivables are shown in the table below

Other receivables	31/03/2017	31/03/2018
Advance payments for services	1,644	295
Advance payment for salary to employee	51,732	64,755
Duty	20,411	54,784
Advance payments against rendering accounts	6,331	-
Refundable VAT	1,408,754	994,676
Other receivables	36,394	15,689
Total	1,525,265.70	1,130,199

Among other receivables the VAT receivables decreased significantly.

3.1.6 Cash and Bank

At the end of the current year the total USD value of the cashes was 1.682.735 USD of which 3.751 USD was in the home cash office.

In the reported period the Company had three account-keeping banks: The Hungarian branch office of Raiffeisen Bank Zrt., CIB Bank Zrt. and the ING Bank N.V.

The company has HUF and foreign exchange account at all of the banks, the largest part of which is represented by the ING. The rest of turnover is distributed equally between the CIB and Raiffeisen.

3.1.7 Amount of accrued income

Description	Data in USD		Index %
	31/03/2017	31/03/2018	
Services, sold energy	24,321	28,598	117.59%
Interest on deposits tied up	7,151,317	1,712,936	23.95%
Accrued income	7,175,638	1,741,533	24.27%
IT cost	0	0	0.00%
Car tax	1,306	1,640	125.58%
Bank Guarantee	0	0	0.00%
Insurance fee	6,638	5,689	85.70%
Membership fees	171,649	88	0.05%
Registration cost		113,042	
Construction and civil engineering tax	78,747	91,859	116.65%
Subscription fees	4,254	2,847	66.93%
Accrued expenses	262,595	215,167	81.94%
Deferred expenses	-	-	0.00%
Total	7,438,232	1,956,700	26.31%

The amount of accruals decreased during the reported period. IC affiliates paid off part of their interest accrued earlier.

3.2 Composition, presentation of sources

Description	Data in USD			Index % 2017/2016
	31/03/2017	31/03/2018	Deviation	
Issued capital stock	89,260,220	89,260,220	0	100.00%
Capital reserve	296,794,237	296,794,237	0	100.00%
Profit reserve	12,304,972	-7,917,857	-20,222,829	-64.35%
Tied up reserves	0	0	0	0.00%
Profit or loss per balance sheet	-20,222,827	-1,563,207	18,659,620	7.73%
Equity capital	378,136,602	376,573,393	-1,563,209	99.59%
Provisions	0	47,650	47,650	100.00%
Deferred liabilities	0	0	0	0.00%
Long-term liabilities	183,210,351	188,093,409	4,883,058	102.67%
Short-term liabilities	3,165,778	3,771,439	605,661	119.13%
Liabilities	186,376,129	191,864,848	5,488,719	102.94%
Accrued and deferred liabilities	3,481,700	5,441,054	1,959,354	156.28%
Total of Sources	567,994,431	573,926,945	5,932,514	101.04%

3.2.1 Own share

Description	Data in USD			Index % 2018/2017
	31/03/2017	31/03/2018	Eltérés 2018-2017	
Subscribed capital	89,260,220	89,260,220	0	100.00%
Capital reserve	296,794,237	296,794,237	0	100.00%
Accumulated profit reserve	12,304,972	-7,917,857	-20,222,829	-64.35%
Tied-up reserve	0	0	0	0.00%
Net profit per balance sheet	-20,222,827	-1,563,207	18,659,620	7.73%
Own capital	378,136,602	376,573,393	-1,563,209	99.59%

The profit reserve decreased by loss of the previous year, according to the current year balance the loss is significantly decreased compared to the previous year: 1.563.207 USD.

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

3.2.2 Long term liabilities

From long term liabilities 1.702 USD is the remained lease liability.

The remaining amount is a credit entirely against the parent company which amount has not significantly changed compared to the previous year, its increase is slightly above 1%.

After pay of the loan received our Company is liable to pay interest but after the greater part we do not have to pay interest.

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEX 01/04/2017 – 31/03/2018

(DATA IN USD)

Long term liabilities to related companies			Data in USD			
Lender	Outstanding loan 31/03/2017	Outstanding loan 31/03/2018	Outstanding in original currency			
			Maturity	Below one year	Between 1 and 5 years	Interest rate (p.a.)
Sun Pharma Global FZE	62,953,155	81,841,708	2024.03.27		81,841,708	3.21%
Sun Pharma Global FZE	120,250,000	106,250,000	2019.06.15		106,250,000	
Total	183,203,155	188,091,708			188,091,708	

3.2.3 Short term liabilities

Description	Data in USD	
	31/03/2017	31/03/2018
Short term loans	5,263	6,477
Advance from costumers	0	97,688
Suppliers	1,531,532	1,477,840
Short term liabilities to related company	1,545,903	2,112,371
Other liabilities	83,080	77,063
Total	3,165,778	3,771,439

Short term liabilities row contains the repayment installment of leasing debt within one year.

Actual liabilities against the related companies are resulted from delivery.

Liabilities to parent company: 0

Liabilities to subsidiaries: 0

Other Short term liabilities:

Description	Data in USD		
	31/03/2017	31/03/2018	Index%
Tax liabilities	21,222	50,095	0.00%
Communal taxes	59,779	24,599	41.15%
Other	2,079	2,369	113.94%
Total	83,080	77,063	92.76%

3.2.4 Accrued and deferred liabilities

Accrued and deferred liabilities can be classified into the following groups:

Description	Data in USD		
	31/03/2017	31/03/2018	Index%
Deferred income	0	0	0.00%
Deferred costs	1,014,829	2,208,613	217.63%
Deferred expenditures - interest on loan	1,968,553	2,754,154	139.91%
Accrued income	498,319	478,287	95.98%
Total	3,481,700	5,441,054	156.28%

The detailed costs, investments of accrued and deferred liabilities are shown by the following table.

Data in USD			
Description	31/03/2017	31/03/2018	Index%
Deferred costs	1,014,829	2,208,613	217.63%
Maintanance	50,217	49,334	98.24%
Environmental protection cost	108,517	472,377	435.30%
Audit	15,402	16,887	109.64%
Energy supply	172,747	468,591	271.26%
Wages, staff reduction related costs	517,431	919,098	177.63%
Leasing fee	-	-	0.00%
Safety technology cost	28,803	38,822	134.78%
Cleaning cost	12,427	15,771	0.00%
Other service	26,195	140,758	537.35%
Postaköltség	-	-	0.00%
Fuel cost	4,227	5,060	119.71%
Contract labour cost	45,784	61,370	134.04%
Travel	26	1,514	0.00%
Transportation cost	3,053	19,031	623.34%
Marketing cost	30,000	-	0.00%

3.3 Data of profit and loss account

3.3.1 Sales revenue

Domestic and export sales distribution:

Data in USD			
Description	31/03/2017	31/03/2018	Index%
Domestic	915,986	1,254,347	136.94%
Export	23,165,815	20,232,876	87.34%
Total	24,081,801	21,487,223	89.23%

94.2 percent of the total revenue comes from the export.

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

Description	31/03/2017	31/03/2018
	USD	USD
Europe	3,287,881	4,321,012
of which: EU	2,701,721	3,773,706
America	8,745,529	10,475,157
Asia	10,797,922	5,015,924
Africa	334,484	417,133
Australia		3,650
Total	23,165,815	20,232,876

3.3.2 Other income

Description	Data in USD	
	31/03/2017	31/03/2018
Revenue from sale of intangible and tangible	32,095	5,033
Revenue related to previous years	0	322,483
Writeback of receivable devaluation from previous years	105,741	12,185
Other	79,061	1,349,798
Rounding	-134	0
Received delay interest, compensation	1,051	1,142
Provision writeback	0	0
Received subsidy for costs compensation	21,175	20,405
Total	238,989	1,711,047

3.3.3 Breakdown of cost by types of cost

Description	Data in USD	
	31/03/2017	31/03/2018
Capitalised value of own performance	- 2,483,282	6,290,782.00
Capitalised value of self produced assets	-	-
Change in self-produced inventory	- 8,303,988.62	3,506,590.23
correction of change of stocks/ devaluation	5,820,707	2,784,192
Material related expenses	20,117,394	22,151,085
Material cost	11,336,566	13,923,963
Services rendered	6,336,473	7,648,906
Cost of goods sold	2,239,544	342,048
Intermediated services	13,324	3,718
Value of other services	191,487	232,450
Staff expenses	6,967,012	8,823,886
Wages and salaries	4,916,175	6,381,942
Personal related expenses	735,554	994,441
Social security contribution	1,315,283	1,447,503
Depreciation and amortisation	3,266,533	3,462,302

Environmental protection cost

Description	Value in USD	
	31/03/2017	31/03/2018
Operation of a remediation system	1,496,635.72	2,361,819.48
Material costs	24,193.92	23,496.48
Dues stamps	2,788.47	80.27
Demolition of buildings	103,109.22	0.00
Work related to remediation	7,988.81	8,952.62
Depreciation	547,343.54	478,406.29
Total	2,182,059.68	2,872,755.14

Salary and headcount data

Payroll taxes

Payroll taxes by title	USD
Social security contribution	1,215,579
Health contribution	163,622
Contribution to vocational training fund	68,302
Total	1,447,503

In the reporting period the wages and personal allowances and the relating contributions were as follows:

Staff group	Average statistical headcount	Wage costs	Contributions of wages	Other Compensation	Staff costs altogether
	persons	USD	USD	USD	USD
Full-time, blue collar	243	2,568,546	534,858	390,061	3,493,465
Full-time white collar	168	3,405,327	756,009	536,021	4,697,358
Part time employees	5	42,757	8,539	8,030	59,326
Others not in staff	14	7,909	-19,949	3,431	-8,609
Total	430	6,024,539	1,279,457	937,544	8,241,540

3.3.4 Turnover cost type result-account

Description	Data in USD	
	31/03/2017	31/03/2018
Cost of sales	25,627,533	21,730,887
Cost of goods sold	2,239,544	342,048
Intermediated services	13,324	3,718
Direct costs of sales	27,880,401	22,076,653
Management costs	4,103,251	5,251,160
Sales, marketing costs	670,456	611,510
Other overhead	180,113	207,168
Indirect costs	4,953,820	6,069,838

3.3.5 Other expenditure

Description	Data in USD	
	31/03/2017	31/03/2018
Provision for expected costs	0	47,650
Devaluation Inventory and receivable	7,537,206	3,314,343
Net value of assets sold	1,303	0
Taxes	263,424	242,545
Fines	1,000	19,554
Compensation for damages	9,902	5,769
Other	45,183	3,030
Selejtezés, kivezetett eszköz	1,686,731	540,136
Scrapping	219	689
Environment pollution fee	8,934	11,830
Accumulation of provisions	118	213
Refunding to OEP	13,254	12,063
Rounding	0	401
Law suit costs	0	0
Other expenditures	0	4,589
Total	9,567,273	4,202,814

Provisions were created to the expected cost of ongoing legal cases exclusively.

Result of financial operations

Description	Data in USD	
	31/03/2017	31/03/2018
Revenues from financial trans.		
Other interest received	1,834	1,985
Interest received from related companies	7,332,741	8,487,244
Other revenues from financial transactions exchange ga	84,336	3,492,105
Revenues from financial trans.	7,418,911	11,981,335
Expenses on financial transactions		
Interest paid	1,689	1,363
Exchange loss on fin. Investments	5,374,540	1,500,037
Interest paid to related companies	1,968,553	2,754,154
Receivables, liabilities, exchange loss	2,216,253	107,862
Expenses on financial transactions	9,561,035	4,363,417
Profit (loss) of financial transactions	-2,142,124	7,617,918

3.3.6 Taxation

	Data in USD	
	31/03/2017	31/03/2018
Corporate Tax		
Income before taxation	-20,222,827	-1,533,117
Items deducible from income before tax		
Loss carried forward utilised	0	334,328
Depreciation accounted as per the act on taxation, and the registration value defined when the asset was derecognised	3,369,518	3,617,317
The amount of previous years impairment reversal	105,741	12,186
Total	3,475,259	3,963,831
Items increasing the income before tax		
Provisions for expected liabilities	0	47,650
Depreciation accounted as cost and the amount accounted as expenditure when the asset is derecognised	3,265,231	3,504,996
Amount of devaluation accounted as expenditure for receivables	9,768	7,392
Costs related to activities other than business	0	4,589
Binding judgements	0	2,475
Costs expenses and reduction of sales revenues, revenues, as a consequence of tax inspection, self-revision	0	0
Write off debts to related companies	5,272,461	1,500,037
Difference between market price actual price applied to group companies /interest free loan/	2,212,781	764,139
Total	10,760,241	5,831,278
Tax base	-12,937,845	334,330
Corporate tax	0	30,090
Profit after tax	-20,222,827	-1,563,207

Correlation's between the outcome forming basis of accounting and taxation:
Tax base calculated from income before tax as per modification of effective tax rules is negative.

Following table presents tax base calculated based on income minimum.

	Data in USD	
Description	31/03/2017	31/03/2018
Total income	31,739,701	35,179,604
Income increasing items	0	0
Income decreasing items	0	0
Adjusted income	31,739,701	35,179,604
2% of adjusted income	634,794	703,592
Tax base	634,794	703,592
Tax liability based on minimum income calculation	63,479	63,323

3.4 Transactions with businesses within a group.

Associated Company	Data in USD		
	Customer turnover	Supplier turnover	Customer/Supplier turnover
Sun Pharmaceutical Ind.Limited India	3,342,420	2,613,329	729,091
Sun Pharma Holdings USA Inc.	8,559,396	859,703	7,699,693
Aditya Acquisition Israel	0	12,686	-12,686
Sun Pharmaceutical Ind.(Europe)B.V	1,048,100	66,424	981,676
TARO Pharmaceutical Ind. Canada	8,974	0	8,974
Sun Pharmaceutical Ind.(Australia)	0	2,263,528	-2,263,528
SC Terapia	82,300	39,777	42,523
Ranbaxy Italia S.p.a	88,300	0	88,300
Ranbaxy (UK) Ltd.	92,747	0	92,747
Total	13,222,237	5,855,447	7,366,790

4 Other complements

4.1 Research, development, investment

In the years 2017-2018 research, experimental and development costs were not incurred at the company in its own activities.

4.2 Environmental protection, outgoings on Environmental protection

The biological sewage-treatment plant has been operated continuously. The sewage sludge forming during the cleaning and considered to be hazardous waste has been disposed of through composting.

Hazardous waste has been incinerated during the reporting period. Non-hazardous waste has been deposited.

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

Report on hazardous and non-hazardous wastes,

Report on air contamination point sources and on organic solvent emission sources, Underground water protection data sheets (tank parks and sewage plant),

Water quality basic and annual reports on sewage emission to surface waters;

No air and water loading charges were payable to tax authority.

ENCOTECH Ltd. has prepared study on emission of air required by Authority. Read values were under the specified limits.

Három Kör DELTA Ltd. has completed the ground water and shallow ground water monitoring tests, to be performed twice a year as required by the authority, and submitted the concerning evaluative report. Following authority order the existing system was completed with new wells drilled.

The operation of the groundwater discharging system at the contaminated areas marked SZI-SZ-VIII-SZ-X by ELGOSCAR-2000 Ltd. was continuous.

Remediation of SZU-II. was continuous in the reported period, hazardous waste was deposited and contaminated air coming from strippers was incinerated. Waste incinerator was already closed at the beginning of the financial year and started in January 2017.

Recovery system for remediation activities of the area behind Incinerator has been completed, trial operation has been started.

No provision was separated for Environmental liabilities.

4.3 No litigation relating to the claims, obligations are included in the balance sheet.

4.4 There are no additional balance items

4.5 The balance sheet does not contain any correction relating for the earlier periods.

4.6 Balance sheet and the profit and loss statement do not include any further breakdown beyond the determined breakdown, neither aggregation.

4.7 Business Management, Board of Directors, Supervisory Board

The members of the executive officers, the Board of Directors and the Business Management are unrewarded for their activities during the current year.

The Company Management and the Work Council agreed in 2007 that based on the possibilities are provided by the Act on New Economic Companies (Act IV of 2006) no Supervisory Board is elected. The law has since been replaced by the Civil Code (Act V of 2013) which controls the establishment of a supervisory board.

4.8 Cash flow account

A Cash-Flow account is included by the attachment – 5.

4.9 Liquidity, capital structure, profitability

Indexes are contained by the attachment – 6, 7, 8.

15. April 2018, Tiszavasvári

Mihály Kaszás
General Manager