



Versatile-Audit Kft.

4400 Nyíregyháza, Munkás u. 53.
Adószám: 13874357-2-15 Cégj. sz.: 15-09-071194
Számlasszám: HVB Bank ZRt. 10918001-00000046-12220018

Independent Auditors' Report

(Free translation)

To the quota holders shareholders of ALKALOIDA Chemical Company Zrt

Opinion

We have audited the accompanying financial statements of ALKALOIDA Chemical Company which comprise the balance sheet as of 31 Marcius 2017 (in which the balance sheet total is USD 567 994 430,90 , the equity USD 378 136 602,31, the netto revenues USD 24 081 801,11 ,the loss after tax per balance sheet is USD 20 222 826,64 , the related income statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 Marcius 2017, and of the results of its operations for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act"), in force in Hungary.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") 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 financial statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Hungary. We have fulfilled our other ethical responsibilities in accordance with those requirements.

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. Management is responsible for the preparation of the business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the financial statements expressed in the "Opinion" section of our report does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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Based on the Accounting Act, in respect of the business report, our responsibility is to read the business report and, in doing so, consider whether the business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any.

In our opinion, the 2016 business report of ALKALOIDA Chemical Company is consistent with the 2016 financial statements of ALKALOIDA Chemical Company, and the business report has been prepared in accordance with the provisions of the Accounting Act.

As there is no other regulation prescribing further requirements for the business report, in respect of this, our opinion on the business report does not express the opinion required by Section (5) h) of 156 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and shall give an indication of the nature of any such misstatements. We have nothing to report in this respect. In our opinion, the 2016 business report of ALKALOIDA Chemical Company is consistent with the 2016 financial statements of ALKALOIDA Chemical Company, and the business report has been prepared in accordance with the provisions of the Accounting Act. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I we are required to report if we have identified material misstatements in the business report, and shall give an indication of the nature of any such misstatements. We have nothing to report in this respect.

Responsibilities of management [and those charged with governance] for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Act C of 2000 on Accounting applicable in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 HNSAs 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 financial statements.

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As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 of accounting 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, I we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 in internal control that we identify during our audit

Nyíregyháza, 15th April 2017.

János Varga

Registered Auditor

Licence No.: 002059

12 Kandó K street, 4400 Nyíregyháza

Sándorné Piroska

Partner

VERSATILE AUDIT Ltd.

Licence No.: 002430

53 Munkás street, 4400 Nyíregyháza

ALKALOIDA Chemical Company Zrt.

ANNUAL REPORT

**Financial Year
01 April 2016 – 31 March 2017**

Tiszavasvári April 2017

1 0 7 1 5 8 4 6 2 1 2 0 1 1 4 1 5

Statistical code

1 5 - 1 0 - 0 4 0 3 3 0

Company registration number

ALKALOIDA Chemical Company Zrt.

"A" STATEMENT OF INCOME

(with total cost method)

USD

No.	Item	Previous year 31/03/2016	Previous year(s) modifications	Reference year 31/03/2017
a	b	c	d	e
01.	01. Net domestic sales revenues	1,148,633		915,986
02.	02. Net export sales revenues	12,296,729		23,165,815
03.	I. NET SALES REVENUES (01+02)	13,445,362	0	24,081,801
04.	03. Change in self-manufactured inventories	598,552		-2,483,282
05.	04. Capitalised value of self-manufactured assets	0		0
06.	II. CAPITALISED VALUE OF OWN PERFORMANCE (03+04)	598,552	0	-2,483,282
07.	III. OTHER INCOME	330,133		238,989
08.	Of which: loss of value written back	13,779		105,741
09.	05. Cost of raw materials	10,541,520		11,336,566
10.	06. Value of services used	6,375,022		6,336,473
11.	07. Value of other services	189,329		191,487
12.	08. Cost of goods sold	110,667		2,239,544
13.	09. Value of recharged services	2,598		13,324
14.	IV. MATERIAL-TYPE EXPENDITURES (05+06+07+08+09)	17,219,136	0	20,117,394
15.	10 Wages costs	4,546,586		4,916,175
16.	11. Other payments to personnel	680,620		735,554
17.	12. Personnel related contributions	1,207,995		1,315,283
18.	V. PAYMENTS TO PERSONNEL (10+11+12)	6,435,201	0	6,967,012
19.	VI. DEPRECIATION CHARGE	3,034,553		3,266,533
20.	VII. OTHER EXPENSES	2,556,592		9,567,272
21.	Of which: impairment loss provision	2,095,449		7,537,206
22.	A. TRADING PROFIT (I+II-III-IV-V-VI-VII)	-14,871,435	0	-18,080,703
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	6,890,671		7,334,575
30.	- Of which: received from related companies	6,886,273		7,332,741
31.	17. Other revenues from financial transactions	1,330,511		84,336
32.	Of which: valuation difference			
33.	VIII. REVENUES FROM FINANCIAL TRANSACTIONS (13+14+15+16+17)	8,221,182	0	7,418,911
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
37.	- Of which: paid to related companies			5,272,461
38.	20. Interest paid	1,103,412		1,970,241
39.	- Of which: given to related companies	1,101,031		1,968,553
40.	21. Losses on shares, securities and bank deposits	2,473,359		102,079
41.	22. Other expenditures of financial transactions	162,811		2,216,254
43.	IX. EXPENDITURES OF FINANCIAL TRANSACTIONS (19+20+21+22)	3,739,582	0	9,561,035
44.	B. FINANCIAL PROFIT (VII.-IX.)	4,481,600	0	-2,142,124
45.	C. NET PROFIT BEFORE TAXATION (+A+-B)	-10,389,835	0	-20,222,827
46.	X. TAX LIABILITY	0		0
47.	D. NET PROFIT PER BALANCE SHEET (IX.-X.)	-10,389,835	0	-20,222,827

Date: TISZAVASVARI, APRIL 15, 2017

head of the company
(representative)

1 0 7 1 5 8 4 6 2 1 2 0 1 1 4 1 5

Statistical code

1 5 -- 1 0 -- 0 4 0 3 3 0

Company registration number

ALKALOIDA Chemical Company Zrt.

"B" STATEMENT OF INCOME

(with turnover cost method)

USD

No	Item	Previous year 31/03/2016	Previous year(s) modifications	Reference year 31/03/2017
a	b	c	d	e
01.	01. Net domestic sales	1,148,633		915,986
02.	02. Net export revenues	12,296,729		23,165,815
03.	I. NET SALES REVENUES (01+02)	13,445,362	0	24,081,801
04.	03. Direct cost of sales	21,295,194		25,627,533
05.	04. Cost of goods sold	110,666		2,239,544
06.	05. Value of services provided	2,598		13,324
07.	II. DIRECT COST OF SALES (03+04+05)	21,408,458	0	27,880,401
08.	III. GROSS SALES INCOME (I.-II.)	-7,963,096	0	-3,798,600
09.	06. Cost of sales	616,206		670,456
10.	07. Administration cost	3,851,257		4,103,251
11.	08. Other overheads	214,417		180,113
12.	IV. INDIRECT COST OF SALES (06+07+08)	4,681,880	0	4,953,820
13.	V. OTHER INCOME	330,133		238,989
14.	- thereof: loss of value written back	13,779		105,741
15.	VI. OTHER EXPENDITURES	2,556,592		9,567,272
16.	- thereof: loss of value	2,095,449		7,537,206
17.	A. TRADING PROFIT (+-III-IV+V-VI)	-14,871,435	0	-18,080,703
18.	09. Dividend received			
19.	- Of which: received from related companies			
20.	10. Gain on sale of investment			
21.	- Of which: received from related companies			
22.	11. Interest received and gain on financial investments			
23.	- Of which: received from related companies			
24.	12. Other interest received	6,890,671		7,334,575
25.	- Of which: received from related companies	6,886,273		7,332,741
26.	13. Other revenues from financial transactions	1,330,511		84,336
27.	- Of which: Valuation difference			
28.	VII. REVENUES FROM FINANCIAL TRANSACTIONS (09+10+11+12+13)	8,221,182	0	7,418,911
29.	14. Financial and foreign exchange loss of investments			
30.	- Of which: related companies			
31.	15. Financial and foreign exchange loss of long term financial assets (securities, loans)			5,272,461
32.	- Of which: paid to related companies			5,272,461
33.	16. Interest paid	1,103,412		1,970,241
34.	- Of which: given to related companies	1,101,031		1,968,553
35.	17. Losses on shares, securities and bank deposits	2,473,359		102,079
36.	18. Other expenditures of financial transactions	162,811		2,216,254
37.	- of which: valuation difference			
38.	VIII. EXPENDITURES OF FINANCIAL TRANSACTIONS (14+15+16+17+18)	3,739,582	0	9,561,035
39.	B. FINANCIAL PROFIT (VII.-VIII.)	4,481,600	0	-2,142,124
40.	C. NET PROFIT BEFORE TAXATION (+-A+-B)	-10,389,835	0	-20,222,827
41.	IX. TAX LIABILITY			
42.	D. NET PROFIT PER BALANCE SHEET (±C-IX)	-10,389,835	0	-20,222,827

Date: TISZAVASVARI, APRIL 15, 2017

head of the company
(representative)

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Statistical code

1 5 - 1 0 - 0 4 0 3 3 0

Company registration number

ALKALOIDA Chemical Company Zrt.

01.

"A" BALANCE Assets

USD

No.	Item	Previous year 31/03/2016	Previous year(s) modifications	Reference year 31/03/2017
a	b	c	d	e
02.	A FIXED ASSETS (03.+11.+19.)	531,889,347	0	523,856,514
03.	I. INTANGIBLE ASSETS (04. ... 10.)	44,202	0	35,196
04.	1 Capitalised value of foundation and restructuring costs			
05.	2 Capitalised value of research and development	0		0
06.	3 Concessions and similar rights and assets k			
07.	4 Intellectual property	44,202		35,196
08.	5 Goodwill			
09.	6 Advance payments on intangible assets			
10.	7 Revaluation of intangible assets			
11.	II. TANGIBLE ASSETS (12. ... 18.)	43,607,939	0	43,709,099
12.	1 Land and buildings and related concessions and similar rights	35,510,407		35,068,229
13.	2 Technical equipment, machinery and vehicles	4,423,962		4,194,288
14.	3 Other equipment, fittings and vehicles	2,369,335		3,667,170
15.	4 Breeding stock	0		0
16.	5 Capital WIP, renovations	1,216,807		773,924
17.	6 Advance payments on Capital WIP	87,428		5,488
18.	7 Revaluation of tangible assets			
19.	III. FINANCIAL INVESTMENTS (20. ... 29.)	488,237,206	0	480,112,219
20.	1 Long term investments in related companies	259,192,396		258,623,479
21.	2 Long term loans given to related companies	229,044,810		221,488,740
22.	3 Long term investments in non-related companies			
23.	4 Long term loans given to non-related companies			
24.	5 Other long term investments			
25.	6 Long term loans given to other investees			
26.	7 Other long term loans given			
27.	8 Securities representing long term loans			
28.	9 Revaluation of financial investments			
29.	10 Valuation difference of Financial investments			
30.	B CURRENT ASSETS (31.+38.+47.+54.)	49,393,791	0	36,699,684
31.	I. INVENTORIES (32. ... 37.)	36,617,957	0	24,264,070
32.	1 Raw materials and consumables	9,916,086		8,287,847
33.	2 Work in progress and semi-finished products	8,216,026		6,282,792
34.	3 Animals	0		0
35.	4 Finished goods	17,100,065		9,055,333
36.	5 Goods	0		0
37.	6 Advance payments on inventories	1,385,780		638,098
38.	II. RECEIVABLES (39. ... 46.)	5,902,317	0	9,333,021
39.	1 Trade accounts receivable	820,968		1,180,859
40.	2 Receivables from related companies	1,918,900		6,626,896
41.	3 Receivable from non-related companies	0		0
42.	4 Receivables from other investees	0		0
43.	5 Bills of exchange receivables	0		0
44.	6 Other receivables	3,162,449		1,525,266
45.	7 Valuation difference of Receivables	0		0
46.	8 Positive valuation difference of derivatives	0		0
47.	III. MARKETABLE SECURITIES (48. ... 53.)	0	0	0
48.	1 Investments in related companies	0		0
49.	2 Investment in non-related companies in a significant degree	0		0
50.	3 Other investments	0		0
51.	4 Own shares, own quotas	0		0
52.	5 Securities representing loans held for sale	0		0
53.	6 Valuation difference of securities	0		0
54.	IV. LIQUID ASSETS (55.+56.)	6,873,517	0	3,102,593
55.	1 Cash in hand, cheques	1,617		5,719
56.	2 Bank deposits	6,871,900		3,096,874
57.	C PREPAID EXPENSES AND ACCRUED INCOME (58. ... 60.)	2,393,445	0	7,438,233
58.	1 Accrued income	2,125,381		7,175,638
59.	2 Prepaid expenses	268,064		262,595
60.	3 Deferred expenses	0		0
61.	TOTAL ASSETS (02.+30.+57.)	583,676,583	0	567,994,431

Date:

TISZAVASVARI, APRIL 15, 2017

head of the company
(representative)

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Statistical code

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Company registration number

ALKALOIDA Chemical Company Zrt.

62. "A" BALANCE Liabilities

USD

No	Item	Previous year 31/03/2016	Previous year(s) modifications	Reference year 31/03/2017
a	b	c	d	e
63.	D SHAREHOLDERS' EQUITY (64.+66. ... 70.+ 73.)	398,359,431	0	378,136,602
64.	I. ISSUED CAPITAL	89,260,220		89,260,220
65.	Of line 64: ownership shares repurchased at face value	0		0
66.	II. ISSUED BUT NOT PAID CAPITAL (-)	0		0
67.	III. CAPITAL RESERVES	296,794,237		296,794,237
68.	IV. RETAINED EARNINGS FROM PREVIOUS YEAR	22,694,809		12,304,972
69.	V. NON DISTRIBUTABLE RESERVES	0		0
70.	VI. REVALUATION RESERVE	0		0
71.	1. Revaluation reserve for value adjustment			
72.	2. Revaluation reserve for value assessment			
73.	VII. PROFIT AFTER TAX	-10,389,835		-20,222,827
74.	E PROVISIONS (75. ... 77.)	0	0	0
75.	1 Provisions for expected liabilities	0		0
76.	2 Provisions for future expenses			
77.	3 Other provisions			
78.	F LIABILITIES (79.+84.+94.)	182,666,117	0	186,376,129
79.	I. SUBORDINATED LIABILITIES (80. ... 83.)	0	0	0
80.	1 Subordinated liabilities to related companies			
81.	2 Subordinated liabilities to companies with investment at relevant degree			
82.	3 Subordinated liabilities to other investees			
83.	4 Subordinated liabilities to other enterprises			
84.	II. LONG TERM LIABILITIES (85. ... 93.)	180,875,133	0	183,210,351
85.	1 Long term credits			
86.	2 Convertible bonds			
87.	3 Debt on the issue of bonds			
88.	4 Investment and development loans			
89.	5 Other long term loans			
90.	6 Long term liabilities to related companies	180,862,124		183,203,155
91.	7 Long term liabilities to non related but invested companies			
92.	8 Long term liabilities to other investees	0		0
93.	9 Other long term liabilities	13,009		7,196
94.	III. SHORT TERM LIABILITIES (95. ... 106.)	1,790,984	0	3,165,778
95.	1 Short term credits			
96.	Of line 95: convertible bonds			
97.	2 Short term loans	5,060		5,263
98.	3 Advance payments received from customers	0		0
99.	4 Trade accounts payable	1,635,541		1,531,532
100.	5 Bills of exchange payable	0		0
101.	6 Short term liabilities to related companies	89,658		1,545,903
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	60,725		83,080
105.	10 Valuation difference of liabilities			
106.	11 Negative valuation difference of financial derivatives			
107.	G ACCRUED EXPENSES AND DEFERRED INCOME (108. ... 110.)	2,651,035	0	3,481,700
108.	1 Deferred revenues			
109.	2 Accrued expenses and deferred income	2,132,685		2,983,381
110.	3 Deferred income	518,350		498,319
111.	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (63.+74.+78.+107.)	583,676,583	0	567,994,431

Date: TISZAVASVARI, APRIL 15, 2017

head of the company
(representative)

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

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 ANNEXES 2016.04.01-2017.03.31 (FIGURES 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	Data in USD								Percentage of ownership	
	Number of shares				Par value (thousand HUF)				31/03/2016	31/03/2017
	31/03/2016		31/03/2017		31/03/2016		31/03/2017		%	%
	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 Nograd 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

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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 valuated 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.

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3 COMPLETION TO THE REPORTING DATA

3.1 Composition of assets

Description	Data in USD			
	31/03/2016	31/03/2017	Deviation	Index % 2017/2016
Intangible assets	44,202	35,196	-9,006	79.63%
Tangible assets	43,607,939	43,709,099	101,160	100.23%
Invested financial assets	488,237,206	480,112,219	-8,124,987	98.34%
Fixed assets	531,889,347	523,856,514	-8,032,833	98.49%
Inventories	36,617,957	24,264,070	-12,353,887	66.26%
Receivables	5,902,317	9,333,021	3,430,704	158.12%
Securities	0	0	0	0.00%
Liquid assets	6,873,517	3,102,593	-3,770,924	45.14%
Current assets	49,393,791	36,699,684	-12,694,107	74.30%
Accrued and deferred assets	2,393,445	7,438,233	5,044,788	310.78%
Total of assets	583,676,583	567,994,431	-15,682,152	97.31%

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 3.885 thousand USD, and the stock of WIP capital expenditure is 774 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:

	2016.04.01 Opening USD	Increasing USD	Decreasing USD	2017.03.31. Closing USD
Gross value	4,745,416	214,511	0	4,959,926
Depreciation	1,009,158	532,603	0	1,541,761
Net value	3,736,258	-318,092	0	3,418,165

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

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 12.459 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	3/31/2016	3/31/2017
Long term investment to associated companies	259,089,462	258,623,479
Long term investment to others	102,934	0
Long-term credits given to associated companies	229,044,810	221,488,740
Invested financial asset	488,279,666	480,155,043

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

The decrease of other shares of stocks is due to the revaluation of Reanal Zrt. shares.

The long-term share in related company has been decreased due to the cease of Spanish subsidiary and due to the of exchange loss of shares which are not in USD.

Long-term loans are detailed in the Annex 4. The stocks of long-term loans to subsidiaries decreased on the one hand due to the effect of loan repayments and on the other hand, as a result of the loan granted to the ceased Spanish Company and the devaluated as irrecoverable receivables. It amounts 5.325.059 USD.

3.1.4 Inventory

Data in USD

Description	31/03/2016	Discard value	Write off	31/03/2017	Index %
Raw Materials and consumables	9,916,086	12,603	1,706,731	8,287,847	84%
Semi-finished goods and work in pro	8,216,026	1,014,329	884,773	6,282,792	76%
Live stock	-			-	0%
Finished goods	17,100,065	659,799	4,935,933	9,055,333	53%
Goods	-			-	0%
Advance payments for stock, goods	1,385,780			638,098	0%
Total	36,617,957	1,686,731	7,527,437	24,264,070	66%

The significant decrease in the stock of inventory is resulted in the loss of value accounted for the inappropriate quality and expired inventories as well as the devaluation of own-produced inventories to market prices.

In case of the final products, sales from the opening stock is also contributed to decline in the stocks.

Advance payment for stock was paid to the SUN Pharma Ltd.

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.1.5 Receivables

Description	Data in USD	
	31/03/2016	31/03/2017
Domestic trade receivables	45,135.00	48,502
Export trade receivables	775,833.12	1,132,356
Receivables to related companies	1,918,900.00	6,626,896
Other receivables	3,162,449.19	1,525,266
Receivables	5,902,317.31	9,333,021.13

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:

Receivables against subsidiaries:

Classification of receivables

Description	Data in USD	
	31/03/2016	31/03/2017
Due receivables	601,856	1,112,537
Overdue receivables	219,112	68,322
of which: between 0-90 days	160,782	62,162
between 91-180 days	58,330	6,160
between 181-360 days	-	-
over days	-	-
Total	820,968	1,180,859

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

Description	Data in USD	
	31/03/2016	31/03/2017
Opening	60,949	189,743
Growth in devaluation	180,296	9,769
Devaluation writeback	13,779	105,741
Bad debt write-off	37,723	
Closing	189,743	93,771

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.

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

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	31/03/2016	31/03/2017
Advance payments for services	-	1,644
Advance payment for salary to employee	48,072	51,732
Duty		20,411
Advance payments against rendering accounts	5,759	6,331
Refundable VAT	3,108,617	1,408,754
Other receivables		36,394
Total	3,162,448.00	1,525,266

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 3.102.593 USD of which 5.719 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	adatok USD-ben		
	31/03/2016	31/03/2017	Index %
Services, sold energy	17,811	24,321	136.55%
Interest on deposits tied up	2,107,570	7,151,317	339.32%
Accrued income	2,125,381	7,175,638	337.62%
IT cost	2,212	0	0.00%
Car tax	1,077	1,306	121.34%
Bank Guarantee	1,529	0	0.00%
Insurance fee	15,168	6,638	43.76%
Membership fees	162,647	171,649	105.53%
Construction and civil engineering tax	82,025	78,747	96.00%
Subscription fees	3,406	4,254	124.91%
Accrued expenses	268,064	262,595	97.96%
Deferred expenses	-	-	0.00%
Total	2,393,445	7,438,232	310.78%

The amount of accrued income has increased in the reported period, what is due to the increase of deferred interest income. This is due to the increase of accrued interest on the loan to subsidiaries.

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.2 Composition, presentation of sources

Description	31/03/2016	31/03/2017	Deviation
Issued capital stock	89,260,220	89,260,220	0
Capital reserve	296,794,237	296,794,237	0
Profit reserve	22,694,810	12,304,972	-10,389,838
Tied up reserves	0	0	0
Profit or loss per balance sheet	-10,389,835	-20,222,827	-9,832,992
Equity capital	398,359,431	378,136,602	-20,222,830
Provisions	0	0	0
Deferred liabilities	0	0	0
Long-term liabilities	180,875,133	183,210,351	2,335,218
Short-term liabilities	1,790,984	3,165,778	1,374,794
Liabilities	182,666,117	186,376,129	3,710,012
Accrued and deferred liabilities	2,651,035	3,481,700	830,665

3.2.1 Own share

Description	Data in USD			
	31/03/2016	31/03/2017	Eltérés 2017-2016	Index % 2017/2016
Subscribed capital	89,260,220	89,260,219.80	0	100.00%
Capital reserve	296,794,237	296,794,237	0	100.00%
Accumulated profit reserve	22,694,810	12,304,972	-10,389,838	54.22%
Tied-up reserve	0	0	0	0.00%
Net profit per balance sheet	-10,389,835	-20,222,827	-9,832,992	194.64%
Own capital	398,359,431	378,136,602	-20,222,830	94.92%

The profit reserve decreased by loss of the previous year, according to the current year balance the loss is significantly increased compared to the previous year: 20.222.827 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 7.196 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.

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

Long term liabilities to related companies

Data in USD

Lender	Outstanding loan 31/03/2017	Outstanding in original currency			Interest rate (p.a.)
		Maturity	Below one year	Between 1 and 5 years	
Sun Pharma Global FZE	62,953,155	2018.03.31		62,953,155	3.21%
Sun Pharma Global FZE	120,250,000	2018.03.31		120,250,000	
Total	183,203,155			183,203,155	

3.2.3 Short term liabilities

Description	Data in USD	
	31/03/2016	31/03/2017
Short term loans	5,060	5,263
Suppliers	1,635,541	1,531,533
Short term liabilities to related company	89,658	1,545,903
Other liabilities	60,725	83,080
Total	1,790,984	3,165,778

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:

Liabilities to subsidiaries:

Other Short term liabilities:

Description	Data in USD		
	31/03/2016	31/03/2017	Index %
Tax liabilities	-	21,222	0.00%
Communal taxes	55,756	59,779	107.22%
Other	4,969	2,079	41.84%
Total	60,725	83,080	136.81%

3.2.4 Accrued and deferred liabilities

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

Description	Data in USD		
	31/03/2016	31/03/2017	Index %
Deferred income	-	-	0.00%
Deferred costs	1,031,653	1,014,829	98.37%
Deferred expenditures - interest on loan	1,101,031	1,968,553	178.79%
Accrued income	518,350	498,319	96.14%
Total	2,651,035	3,481,700	131.33%

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

Description	Data in USD		
	31/03/2016	31/03/2017	Index%
Deferred costs	1,031,653	1,014,829	98.37%
Maintanance	72,973	50,217	68.82%
Environmental protection cost	149,302	108,517	72.68%
Audit	15,649	15,402	98.43%
Energy supply	174,378	172,747	99.06%
Wages, staff reduction related costs	451,249	517,431	114.67%
Leasing fee	325	-	0.00%
Safety technology cost	28,629	28,803	100.61%
Cleaning cost	-	12,427	0.00%
Other service	39,758	26,195	65.89%
Postaköltség	542	-	0.00%
Fuel cost	2,632	4,227	160.62%
Contract labour cost	59,648	45,784	76.76%
Travel	-	26	0.00%
Transportation cost	2,657	3,053	114.90%
Marketing cost	33,913	30,000	88.46%

3.3 Data of profit and loss account

3.3.1 Sales revenue

Domestic and export sales distribution:

Description	Data in USD		
	31/03/2016	31/03/2017	Index%
Domestic	1,148,633	915,986	79.75%
Export	12,296,729	23,165,815	188.39%
Total	13,445,362	24,081,801	179.11%

96.2 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	31/03/2016	31/03/2017
	USD	USD
Europe	3,666,710	3,287,881
of which: EU	2,957,519	2,701,721
America	4,767,886	8,745,529
Asia	3,638,907	10,797,922
Africa	223,226	334,484
Australia		
Total	12,296,729	23,165,815

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.3.2 Other income

Description	Data in USD	
	31/03/2016	31/03/2017
Revenue from sale of intangible and tangible	1,835	32,095
Revenue related to previous years	0	0
Writeback of receivable devaluation from previ	13,779	105,741
Other	103,571	79,061
Rounding	0	-134
Received delay interest, compensation	1,779	1,051
Provision writeback	0	0
Received subsidy for costs compensation	188,205	21,175
Extraordinary revenue prev. year	20,964	0
Total	330,133	238,989

In the previous year we accounted the profit as extraordinary income out of the accrued incomes. In the current year this item was reclassified from extraordinary income to other income.

3.3.3 Breakdown of cost by types of cost

Description	Data in USD	
	31/03/2016	31/03/2017
Capitalised value of own performance	598,552	- 2,483,282.00
Capitalised value of self produced assets	-	-
Change in self-produced inventory	- 1,316,601	- 8,303,989
correction of change of stocks/ devaluation	1,915,153	5,820,707
Material related expenses	17,219,136	20,117,394
Material cost	10,541,520	11,336,566
Services rendered	6,375,022	6,336,473
Cost of goods sold	110,667	2,239,544
Intermediated services	2,598	13,324
Value of other services	189,329	191,487
Staff expenses	6,435,201	6,967,012
Wages and salaries	4,546,586	4,916,175
Personal related expenses	680,620	735,554
Social security contribution	1,207,995	1,315,283
Depreciation and amortisation	3,034,553	3,266,533

Environmental protection cost

Description	Value in USD	
	31/03/2016	31/03/2017
Operation of a remediation system	1,473,281.31	1,496,635.72
Material costs	27,578.83	24,193.92
Dues stamps	1,034.16	2,788.47
Demolition of buildings		103,109.22
Work related to remediation	2,948.40	7,988.81
Depreciation	504,897.68	547,343.54
Total	2,009,740.38	2,182,059.68

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

Salary and headcount data

Payroll taxes

Payroll taxes by title	USD
Social security contribution	1,145,772
Health contribution	97,785
Contribution to vocational training fund	71,726
Total	1,315,283

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	218	2,134,106	570,963	319,303	3,024,372
Full-time white collar	137	2,752,582	736,431	411,839	3,900,852
Part time employees	4	29,487	7,889	4,412	41,788

3.3.4 Turnover cost type result-account

Description	Data in USD	
	31/03/2016	31/03/2017
Cost of sales	21,295,194	25,627,533
Cost of goods sold	110,666	2,239,544
Intermediated services	2,598	13,324
Direct costs of sales	21,408,458	27,880,401
Management costs	3,851,257	4,103,251
Sales, marketing costs	616,206	670,456
Other overhead	214,417	180,113
Indirect costs	4,681,880	4,953,820

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.3.5 Other expenditure

Description	Data in USD	
	31/03/2016	31/03/2017
Devaluation Inventory and receivable	2,095,449	7,537,206
Net value of assets sold	0	1,303
Taxes	163,404	263,424
Fines	14,697	1,000
Compensation for damages	1,753	9,902
Other	12,191	45,183
Selejtezés, kivezetett eszköz	221,525	1,686,731
Scrapping	304	219
Environment pollution fee	8,531	8,934
Accumulation of provisions	762	118
Refunding to OEP	14,199	13,254
Rounding	100	0
Law suit costs	22,593	0
Other expenditures	1,085	0
Total	2,556,593	9,567,273

In the previous year only the transferred currency is indicated as extraordinary expenditure which was reclassified as other expenditures in the current year, current year amount is 0.

3.3.6 Result of financial operations

Description	Data in USD	
	31/03/2016	31/03/2017
Other interest received	4,398	1,834
Interest received from related companies	6,886,273	7,332,741
Other revenues from financial transactions exchange ga	1,330,511	84,336
Revenues from financial trans.	8,221,182	7,418,911
Interest paid	2,381	1,689
Exchange loss on fin. Investments	2,473,360	5,374,540
Interest paid to related companies	1,101,032	1,968,553
Receivables, liabilities, exchange loss	162,811	2,216,254
Expenses on financial transactions	3,739,583	9,561,035

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.3.7 Taxation

	Data in USD	
Corporate Tax	31/03/2016	31/03/2017
Income before taxation	-10,389,835	-20,222,827
Items deductible from income before tax		
Depreciation accounted as per the act on taxation, and the registration value defined when the asset was derecognised	3,121,525	3,369,518
The amount of previous years impairment reversal	13,779	105,741
Total	3,135,304	3,475,259
Items increasing the income before tax		
Depreciation accounted as cost and the amount accounted as expenditure when the asset is derecognised	3,034,563	3,265,231
Amount of devaluation accounted as expenditure for receivables	180,296	9,768
Costs related to activities other than business	1,085	0
Binding judgements	14,697	0
Costs expenses and reduction of sales revenues, revenues, as a consequence of tax inspection, self-revision	19,177	0
Write off debts to related companies	-	5,272,461
Difference between market price actual price applied to group companies /interest free loan/	3,412,566	2,212,781
Total	6,662,384	10,760,241
Tax base	-6,862,755	-12,937,845
Corporate tax	0	0
Profit after tax	-10,389,835	-20,222,827

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	31/03/2016	31/03/2017
Total income	21,996,678	31,739,701
Income increasing items		0
Income decreasing items	113,265	0
Adjusted income	21,883,413	31,739,701
2% of adjusted income	437,668	634,794
Tax base	437,668	634,794
Tax liability based on minimum income calculation	70,027	63,479

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SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

3.4 Transactions with businesses within a group.

Associated Company	Data in USD		
	Customer turnover	Supplier turnover	Customer/Supplier turnover
SPIL India	7,025,716	-576,410	7,602,125
SPII USA	7,962,900	171,451	7,791,449
Aditya Acquisition Israel	0	14,990	-14,990
Alkaloida Sweden	0	0	0
Basics GmbH.	0	343	-343
Ranbaxy (UK) Ltd.	1,983	0	1,983
Ranbaxy Ireland	0	68,256	-68,256
Ranbaxy Netherland	0	3,347	-3,347
SC Terapia	49,504	5,400	44,104
SP Australia	0	2,743,378	-2,743,378
SP Europe	225,272	0	225,272
SP Italy	259,452	0	259,452
TARO Hungary Kft.	1,881	0	1,881
TARO Pharm. Canada	7,178	0	7,178
SPG FZE	-	0	0
Total	15,533,886	2,430,755	13,103,132

4 Other complements

4.1 Research, development, investment

In the years 2016-2017 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;

We have calculated the 2016 years' amounts of air and water loading charges payable to tax authority.

The environmental protection authority has not charged us by water pollution fine for year 2015. Charging air pollution fine is not expected.

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.

ALKALOIDA Chemical Company Limited by Shares

SUPPLEMENTARY ANNEXES 2016.04.01-2017.03.31 (FIGURES IN USD)

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 2017, Tiszavasvári

Mihály Kaszás
General Manager

INTANGIBLE ASSETS
2016/2017

Description	Opening 01/04/2016 USD	Addition USD	Deletion USD	Closing 31/03/2017 USD
Gross value				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	2,781,292			2,781,292
Concessions and similar rights and assets k				
Intellectual property	414,930	6,274		421,205
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
Total	3,196,222	6,274	0	3,202,497
Depreciation				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	2,777,535	2,839		2,780,374
Concessions and similar rights and assets k				
Intellectual property	374,486	12,441		386,926
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
Total	3,152,020	15,280	0	3,167,300
Net value				
Capitalised value of foundation and restructuring costs				
Capitalised value of research and development	1,618	-2,839		918
Concessions and similar rights and assets k				
Intellectual property	40,633	-6,167		34,278
Goodwill				
Advance payments on intangible assets				
Revaluation of intangible assets				
Total	42,251	-9,006	0	35,196

TANGIBLE ASSETS
2016/2017

Description	Opening	Addition		Deletion	Closing
	01/04/2016 USD	USD	USD	USD	31/03/2017 USD
Gross value					
Land and buildings and related concessions and similar	50,993,077	1,055,810	1,302	1,302	52,047,585
Technical equipment, machinery and vehicles	28,184,287	722,686	19,701	19,701	28,887,272
Other equipment, fittings and vehicles	9,987,623	2,100,042	40,778	40,778	12,046,888
Breeding stock					
Capital WIP, renovations	1,216,807	3,441,930	3,884,813	3,884,813	773,924
Advance payments on Capital WIP	87,428	136,819	218,760	218,760	5,488
Revaluation of tangible assets					
Total	90,469,222	7,457,288	4,165,354	93,761,156	
Depreciation					
Land and buildings and related concessions and similar	15,482,670	1,496,688			16,979,358
Technical equipment, machinery and vehicles	23,760,325	952,361	19,701	19,701	24,692,986
Other equipment, fittings and vehicles	7,618,288	802,204	40,778	40,778	8,379,714
Breeding stock					
Capital WIP, renovations					
Advance payments on Capital WIP					
Revaluation of tangible assets					
Total	46,861,283	3,251,253	60,479	50,052,057	
Net value					
Land and buildings and related concessions and similar	35,510,407	-440,878	1,302	1,302	35,068,227
Technical equipment, machinery and vehicles	4,423,962	-229,675	0	0	4,194,286
Other equipment, fittings and vehicles	2,369,335	1,297,839	0	0	3,667,174
Breeding stock					
Capital WIP, renovations	1,216,807	3,441,930	3,884,813	3,884,813	773,924
Advance payments on Capital WIP	87,428	136,819	218,760	218,760	5,488
Revaluation of tangible assets					
Total	43,607,939	4,206,035	4,104,875	43,709,099	

**Long term investments in related companies
2016/2017**

Company	Location	Proprietary share (%)	Nominal value		Book value USD 31/03/2017
			Currency	Value	
Domestic					
Reanal Finomvegyszergyár Zrt.	Hungary	0.81	THUF	1,167	-
Total domestic					
-					
Overseas					
Taro Pharmaceutical Industries Ltd	Israel	60.9	ILS	2,711	239,842,016
Sun Ph. Industries (Europe) BV	Netherlands	100	EUR	18,000	19,251
Aditya Acquisition Company Ltd	Israel	100	ILS	1	0.009
Sun Pharmaceuticals UK Ltd.	Great-Britain	100	GBP	1,000	1,245
Sun Ph Germany GmbH	Germany	100	EUR	25,000	26,737
Sun Pharmaceuticals France	France	100	EUR	37,000	39,571
Sun Pharmaceuticals Italia Srl.	Italy	100	EUR	5,652,927	6,045,794
Sun Pharmaceuticals Spain	Spain	100	EUR	3,100	0
SUN Farmacêutica do Brasil Ltda	Brazil	99.58	BRL	23,307,436	11,749,882
Alkaloida Sweden	Sweden	100	SEK	7,133,445	799,003
Sun Pharmaceuticals Switzerland	Switzerland	100	CHF	100,000	99,979
Total overseas					258,623,479
Total investments					258,623,479

Long term given loans to related companies						
Company	Currency	31/03/2016	Increase	Decrease	31/03/2017	Book Value USD
Sun Ph. Industries (Europe) BV	EUR	4,122,964		1,000,000	3,122,964	3,340,004
Ranbaxy Italia	EUR	3,167,939			3,167,939	3,388,105
SP Spain	EUR	5,325,059		5,325,059	0	0
SP Germany	EUR	3,615,974		615,974	3,000,000	3,208,494
SP France	EUR	2,505,230		1,000,000	1,505,230	1,609,841
SP Brasil	USD	33,236,598			33,236,598	33,236,598
SP Australia	USD	443,365		9,373	433,993	433,993
Caraco USA	USD	174,376,145			174,376,145	174,376,145
Alkaloida Sweden	EUR	310,714			310,714	332,308
SP UK	GBP	1,017,383	1,135,000	1,017,383	1,135,000	1,413,284
SP Switzerland	CHF	0	150,000		150,000	149,969
Total						221,488,740

CASH-FLOW STATEMENT FOR THE YEAR 2016/2017 ("A" TYPE)

USD

No.	Designation	Previous year 31/03/2016	Reference year 31/03/2017
	I. Change in cash out of ordinary activity (lines 1-13.)	138,696,447	-10,801,153
	(operational cash flow)		
1	± Profit or loss before tax	-10,389,835	-20,222,827
2	+ Depreciation charge	3,034,553	3,266,533
3	± Loss in value/write back of loss in value	4,777,316	9,220,393
4	± Difference between provisions made and used		0
5	± Proceeds from sale of invested assets	-1,835	-30,792
6	± Change in trade accounts payable	-532,120	1,352,235
7	± Change in other short term liabilities	-267,115	22,557
8	± Change in accrued expenses	429,486	830,665
9	± Change in trade accounts receivables	-718,187	-5,067,887
10	± Change in current assets (except for: trade accounts and liquid assets)	142,564,494	4,872,756
11	± Change in prepaid expenses	-200,310	-5,044,788
12	- Corporate tax paid (payable)		
13	- Dividend paid (payable)		
	II. Change in cash provided by operating activities (lines 14-16.)	-6,311,075	-2,861,058
14	- Purchase of invested assets	-6,312,911	-2,893,153
15	+ Sales of invested assets	1,835	32,095
16	+ Dividend received		
	III. Change in cash used in investing activities (lines 17-27.)	-139,853,698	9,891,288
17	+ Share issue (capital increase)		
18	+ Bond issue		
19	+ Borrowings	28,517,214	2,335,218
20	+ Repayment, cancellation of long term loans and bank deposits	-12,175,364	7,556,070
21	+ Cash received		
22	- Share withdrawal	-156,195,547	0
23	- Bond redemption		
24	- Loan repayment		
25	- Long term loans given and bank deposits		
26	- Cash transferred		
27	± Change in liabilities towards the owners and in other long term liabilities		
	IV. Movement in cash and cash equivalent (±I±II±III. lines)	-7,468,326	-3,770,924

LIQUIDITY	2015/2016	2016/2017	CHANGE
Liquidity ratio = $\frac{\text{Current assets}}{\text{Short term liabilities}}$	27.58	11.59	-58.0%
Quick asset ratio = $\frac{\text{Current assets} - \text{Stocks}}{\text{Short term liabilities}}$	7.13	3.93	-44.9%
Cash liquidity ratio (cash ratio) = $\frac{\text{Cash and Bank} + \text{Securities}}{\text{Short term liabilities}}$	3.84	0.98	-74.5%
Dynamic liquidity = $\frac{\text{Trading (operating) profit (loss)}}{\text{Short term liabilities}}$	-8.31	-5.71	-31.3%
Term indicator (day) = $\frac{\text{Current assets} - \text{Stocks}}{(\text{Material-related expenses} + \text{staff expenses} + \text{Other expenses} + \text{Paid interest and interest related expenses} + \text{Tax payment liability}) / 365}$	170.73	156.22	-8.5%
Short term operation safety indicator = $\frac{\text{Current assets} - \text{Short term liabilities}}{\text{Short term liabilities}}$	26.58	10.59	-60.1%
Long term operation safety indicator = $\frac{\text{Owner's equity} + \text{Deferred liabilities} + \text{Long term liabilities}}{\text{Fixed assets}}$	1.09	1.07	-1.6%
DEBT SERVICE	2015/2016	2016/2017	CHANGE
Interest coverage I. = $\frac{\text{Trading (operating) profit (loss)}}{\text{Paid interest and interest related expenses}}$	-13.50	-9.18	-32.0%
Interest coverage II. = $\frac{\text{Ordinary entrepreneurial profit (loss)} + \text{Paid interest and interest related expenses} - \text{Received interest and interest related revenues}}{\text{Paid interest and interest related expenses}}$	-14.68	-12.99	-11.5%
EBITDA coverage I. = $\frac{\text{Trading (operating) profit (loss)} + \text{Amortisation}}{\text{Paid interest and interest related expenses}}$	-10.75	-7.52	-30.0%
EBITDA coverage II. = $\frac{\text{Ordinary entrepreneurial profit (loss)} + \text{Paid interest and interest related expenses} - \text{Received interest and interest related revenues} + \text{Amortisation}}{\text{Paid interest and interest related expenses}}$	-11.93	-11.33	-5.0%
Cash-flow coverage = $\frac{\text{Profit (loss) after taxation} + \text{Amortisation}}{\text{Paid interest and interest related expense}}$	-6.67	-8.61	29.1%
Debt repayment ability = $\frac{\text{Profit (loss) after taxation} + \text{Amortisation}}{\text{Liabilities}}$	-0.04	-0.09	125.9%

CAPITAL STRUCTURE		2015/2016	2016/2017	CHANGE
Capital adequacy =	$\frac{\text{Owner's equity}}{\text{Assets total}}$	0.68	0.67	-2.5%
Rate of indebtedness =	$\frac{\text{Liabilities}}{\text{Assets total}}$	0.31	0.33	4.8%
Net indebtedness =	$\frac{\text{Liabilities - Receivables}}{\text{Owner's equity}}$	0.44	0.47	5.5%
Capital strain indicator =	$\frac{\text{Liabilities}}{\text{Owner's equity}}$	0.46	0.49	7.5%
Long term indebtedness =	$\frac{\text{Deferred liabilities + Long term liabilities}}{\text{Deferred liabilities + Long term liabilities + Owner's equity}}$	0.31	0.33	4.5%
Liabilities / Tangible assets =	$\frac{\text{Liabilities}}{\text{Tangible assets}}$	4.19	4.26	1.8%
Liabilities / Tangible net worth =	$\frac{\text{Liabilities}}{\text{Owner's equity - Intangible asse}}$	0.46	0.49	7.5%
Internal generation of equity capital =	$\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity}}$	-0.03	-0.05	105.0%
WORKING CAPITAL		2015/2016	2016/2017	CHANGE
Working capital adequacy =	$\frac{\text{Current assets - Short term liabilities}}{\text{Assets total}}$	0.08	0.06	-27.6%
Turnaround of working capital =	$\frac{\text{Net sales revenue}}{\text{Current assets - Short term liabilities}}$	0.28	0.72	154.3%
Short term liabilities / Tangible net worth =	$\frac{\text{Buyer stock}}{\text{Supplier stock}}$	0.50	0.77	53.6%
Short term liabilities / Tangible net worth =	$\frac{\text{Short term liabilities}}{\text{Owner's equity - Intangible asse}}$	0.0045	0.0084	86.2%

	2015/2016	2016/2017	CHANGE
PROFITABILITY I.			
Return on Equity (ROE)	-2.61%	-5.35%	105.0%
= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity}}$			
Return on Sales (ROS)	-77.27%	-83.98%	8.7%
= $\frac{\text{Profit (loss) after taxation}}{\text{Net sales revenue}}$			
Return on Assets (ROA)	-1.78%	-3.56%	100.0%
= $\frac{\text{Profit (loss) after taxation}}{\text{Assets total}}$			
Profit (loss) after taxation / Working capital	-21.83%	-60.31%	176.3%
= $\frac{\text{Profit (loss) after taxation}}{\text{Current assets - short term liabilities}}$			
Profit (loss) after taxation / Tangible net worth	-2.61%	-5.35%	105.0%
= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity - Intangible asset}}$			
Equity-proportional profit (loss) before taxation	-2.61%	-5.35%	105.0%
= $\frac{\text{Profit (loss) before taxation}}{\text{Owner's equity}}$			
Sales-proportional profit(loss) before taxation	-77.27%	-83.98%	8.7%
= $\frac{\text{Profit (loss) before taxation}}{\text{Net sales revenue}}$			
Asset-proportional profit (loss) before taxation	-1.78%	-3.56%	100.0%
= $\frac{\text{Profit (loss) before taxation}}{\text{Assets total}}$			
Profit rate of activity 1	-110.75%	-75.08%	-32.2%
= $\frac{\text{Trading (operating) profit (loss)}}{\text{Net sales revenue}}$			
Profit rate of activity 2	-120.47%	-106.25%	-11.8%
= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Net sales revenue}}$			
Trading profit (loss) / Owner's equity	-3.74%	-4.78%	27.9%
= $\frac{\text{Trading (operating) profit (loss)}}{\text{Owner's equity}}$			
PROFITABILITY II.			
Trading profit (loss) / Assets total	-2.55%	-3.18%	24.8%
= $\frac{\text{Trading (operating) profit (loss)}}{\text{Assets total}}$			
EBIT / Assets total	-2.77%	-4.50%	62.3%
= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest related revenue}}{\text{Assets total}}$			
EBIT / Tangible net worth	-4.07%	-6.77%	66.4%
= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest related revenue - Intangible assets}}{\text{Owner's equity - Intangible assets}}$			
EBITDA / Assets total	-2.26%	-3.93%	74.3%
= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue + Amortisation}}{\text{Assets total}}$			
Return on Investment (ROI)	-1.79%	-3.60%	100.8%
= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity + Deferred liabilities + Long term liabilities}}$			
Return on Capital Employed (ROCE) (Capital-proportional EBITDA)	-2.80%	-4.56%	63.0%
= $\frac{\text{Ordinary entrepreneurial profit (loss) + Paid interest and interest related expenses - Received interest and interest related revenue}}{\text{Owner's equity + Deferred liabilities + Long term liabilities}}$			
Return on Invested Capital (ROIC)	-2.16%	-2.89%	33.9%
= $\frac{\text{Trading (operating) profit (loss) * (1 - Company tax rate)}}{\text{Total liabilities - Suppliers - Accruals}}$			
Profit reinvestment ratio (Rate of capital growth)	-2.61%	-5.35%	105.0%
= $\frac{\text{Profit (loss) after taxation}}{\text{Owner's equity}}$			
Gross margin	-75.93%	-12.47%	-83.6%
= $\frac{\text{Sales sales revenue - (Material related expenses + Staff expenses)}}{\text{Net sales revenue}}$			
Export ratio	91.46%	96.20%	5.2%
= $\frac{\text{Net export sales revenue}}{\text{Net sales revenue}}$			

