

Audit Report

Annual Financial Statements as at March 31, 2019 and the Management Report for the 2018/2019 Financial Year

Basics GmbH
Leverkusen

- TRANSLATED VERSION OF THE GERMAN ORIGINAL -

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

54801/K

We have prepared this PDF file at our client's behest.

We would like to draw your attention to the fact, that our report is legally binding only as a signed original.

As only the bound report, signed by us, is the result of our work in accordance with professional standards, we assume no responsibility for the correctness and completeness of this pdf version of our report.

Insofar as this version is made available to third parties, we would like to point out that our liability - to third parties as well - is solely determined by the General Terms of Engagement reproduced in the report.

TABLE OF CONTENTS

A.	AUDIT ENGAGEMENT	1
B.	GENERAL FINDINGS	2
	Opinion on the assessment of the position of the Company by its legal representatives	2
	1. Economic position and course of business	2
	2. Future development with its significant opportunities and risks	3
	3. Concluding statement	3
C.	SUBJECT, NATURE AND SCOPE OF THE AUDIT	4
I.	Subject of the audit	4
II.	Nature and scope of the audit	4
D.	FINDINGS ON AND EXPLANATIONS OF THE ACCOUNTING	7
I.	Generally accepted accounting principles	7
	1. Accounting records and other documents audited	7
	2. Annual financial statements	7
	3. Management report	7
II.	Overall presentation of the annual financial statements	8
	1. Explanations of the overall presentation	8
	2. Findings on the overall presentation of the annual financial statements	8
	3. Economic matters	9
E.	REPRODUCTION OF THE AUDITOR'S REPORT	10
F.	FINAL REMARKS	14

TABLE OF APPENDICES

1. Balance sheet as at March 31, 2019
2. Profit and Loss Statement 2018/2019
3. Notes for the financial year 2018/2019
4. Management report for the financial year 2018/2019
5. Legal and tax positions

General Engagement Terms

To Basics GmbH, Leverkusen

A. AUDIT ENGAGEMENT

1 We were appointed by the shareholders of

**Basics GmbH,
Leverkusen,**
(hereinafter or "Company" or "Basics")

to be the auditor for the financial year ending on March 31, 2019 at the shareholder meeting on March 27, 2019.

In performing the audit engagement awarded to us by the management, we conducted our audit of the annual financial statements as at March 31, 2019 together with the accounting system and the management report in accordance with § 317 HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements.

2 In accordance with § 321 (4a) HGB, we confirm our observance of the applicable regulations governing independence during the performance of our audit.

3 This report was prepared in accordance with the auditing standard AuS 450 "Generally accepted standards for the issuance of long-form audit reports for the audits of financial statements" issued by the Institute of Public Auditors in Germany, Incorporated Association [Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)].

4 The performance of our engagement and our responsibility, also towards any third parties, are governed by the General Engagement Terms for Wirtschaftsprüfer (*German Public Auditors*) and Wirtschaftsprüfungsgesellschaften (*Public Audit Firms*) as amended on 1 January 2017, attached as an appendix. Accordingly, our liability is limited in accordance with No. 9 of the General Engagement Terms for Wirtschaftsprüfer. Towards third parties, No. 1 (2) and No. 9 of the General Engagement Terms apply.

5 This document is a translation of the German audit report, which is the solely legally binding version.

B. GENERAL FINDINGS

Opinion on the assessment of the position of the Company by its legal representatives

6 Responsibility for the preparation of the management report lies with the Company's management.

1. Economic position and course of business

7 In our opinion, the management report of the legal representatives contains the following significant assertions regarding the Company's economic position and its course of business:

- In the period under review, Basics GmbH could improve its ranking to number 11 position of the best-selling generics companies in Germany. As against the same period of the previous year, the gross sales increased by 26 % to more than 158 million euros.
- As in the previous years, the growth driver for the transactions of Basics GmbH is the expansion of the discount business with the health insurance companies.
- With 18.7 %, the gross yield margin showed a slight increase as against the previous year (17.7 %).
- The personnel cost ratio this year is 7.2 % (previous year: 6.3 %).
- After deduction of income taxes the net earnings amount to 0.8 million euros.
- The financial situation of the company is to be qualified as very stable.
- The low interest level showing up at the capital market, as well as the fees levied by banks on positive bank balances required a realignment of the use of cash and cash equivalents. In this respect, on the one hand, a loan to a group sister company amounting to 6.5 million euros was granted on market terms. On the other hand, advance payments to the parent company Sun Pharmaceutical Industries Limited in the amount of 27.3 million euros were carried out for goods being expected for delivery, which had not been supplied at the balance sheet date.

2. Future development with its significant opportunities and risks

8 The future development of the Company as presented in the management report is based on assumptions entailing discretionary judgement. In this conjunction, we would especially like to point out the following main assertions:

- We continue to rate the probable future development of Basics GmbH as positive.
- Accordingly, effects increasing sales are expected from the start of other new discount agreements in 2019 and the ensuing years. Among these effects both, the extension of existing discount partnerships and the conclusion of agreements on additional substances with all large German statutory health insurance providers and the confederations of these providers are expected.
- As a general rule, the tender business on which Basics GmbH has focussed its activities involves certain risks, among these contractual penalties - which in part are not negligible - in the case of inability to supply or depreciation expenses that may be produced by low-inventory turnover ratios of products with a comparatively small sales volume. The latter may increase the necessity for carrying out write-downs. To minimize these risks and ensure continuous supplies of products meeting the demand, internal processes are optimized continuously.
- The following focusses and opportunities have been identified: extension of the product ranges by additional dosage strengths, dosage forms or packaging sizes, increased cooperation within the corporate group, and opening-up of new business areas.

3. Concluding statement

9 On the basis of executing our professional duties in performing the audit, we consider the presentation and assessment of the Company's position as well as its future development as presented by management in the management report to be suitable and accurate in all material aspects.

C. SUBJECT, NATURE AND SCOPE OF THE AUDIT

I. Subject of the audit

- 10 The subject of our audit was the annual financial statements prepared in accordance with the principles of German commercial law and the management report.
- 11 We point out that the duty to perform proper accounting and to prepare the annual financial statements and the management report is the responsibility of the management of Basics GmbH.
- 12 Our responsibility is to issue an opinion on the annual financial statements together with the accounting records and the management report based on the audit we have performed.
- 13 An audit of compliance with other statutory provisions was part of our audit engagement only to the extent that such other provisions customarily have an effect on the annual financial statements or on the management report.
- 14 Pursuant to § 317 (4a) HGB, the audit does not have to cover whether the continued existence of Basics GmbH or the effectiveness and efficiency of the management can be assured.

II. Nature and scope of the audit

- 15 Our audit was conducted in accordance with § 317 HGB and with the German generally accepted auditing standards required for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany, Incorporated Association [Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)].
- Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.
- 16 The audit included assessing the accounting policies, measurement methods and classification principles applied and significant estimates made by management as well as critically evaluating the overall presentation of the annual financial statements and the management report.
- 17 Our starting point was the prior year annual financial statements as at March 31, 2018 audited by us and the unqualified audit opinion thereon.

18 On the basis of the risk of material misstatements, we prepared a risk profile for disclosures in the accounting. For this purpose we conducted audit procedures for assessing risk and first obtained an understanding of the Company as well as an overview of its economic and legal environment. Based on this understanding, we analysed the objectives and strategies of the Company as well as their implementation in order to determine business risks that could lead to significant errors in accounting. Based on discussions with management, the examination of the Company's organisational documents and our professional judgement, we reviewed and assessed the design of the Company's internal control system and which measures the Company had taken to particularly ensure the propriety and reliability of the accounting in order to mitigate business risks, however without conducting a detailed system analysis.

On the basis of our risk assessment, we subsequently identified specific audit areas and developed the audit plan accordingly. In this audit plan we determined the focus of the audit and the audit objectives for each audit area as well as the nature and scope of the audit procedures. The chronological sequence of the audit and staff deployment was also planned therein.

19 The following audit areas were decided upon for the focus of the audit for the year under review:

- Existence and valuation of the merchandise,
- Evidence and evaluation of trade accounts receivable,
- Evidence and evaluation of accounts due from and due to affiliated companies,
- Completeness and evaluation of accruals.

20 Owing to the manageable size of the Company, the low complexity of organisational structures and the control systems, we primarily performed substantive procedures on underlying accounting data (analytical procedures and tests of details), in particular:

- Obtaining confirmations from financial institutions
- Obtaining confirmations from lawyers
- Obtaining confirmations from tax advisors
- Obtaining balance confirmations from customers and suppliers on a sample basis
- Attending a physical inventory count at the main warehouse on March 29, 2019 and assuring ourselves of the propriety of the recording process on a sample basis.

21 The subject of our audit procedures within the framework of auditing the management report was whether it was consistent with the annual financial statements and whether it gave a true and fair view of the position of the Company. We judged the information disclosed by taking the knowledge that we had gained in the course of the financial statement audit into consideration.

We also audited whether the opportunities and risks of future development were suitably presented in the management report.

- 22 We performed the audit in April 2019.
- 23 Management provided us with all explanations and evidence we requested.
- 24 In the written letter of representation provided to us, the legal representatives of the Company assured us that the explanations and evidence were complete. Furthermore, they stated that all business transactions had been recorded and disclosed in the annual financial statements and in the management report.

D. FINDINGS ON AND EXPLANATIONS OF THE ACCOUNTING

I. Generally accepted accounting principles

1. Accounting records and other documents audited

- 25 Our audit verified that the formal and material propriety of the accounting complied with German generally accepted accounting principles and other legal requirements.
- 26 The accounting records of the Company were maintained properly. The records were complete. Based on the findings of our audit, the accounting records and other documents audited complied with legal regulations. The information extracted from other documents audited was in all material aspects properly reflected in the accounting records, in the annual financial statements and in the management report.
- 27 The organisation of the accounting, the accounting-related internal control system, data flows and recordkeeping were fundamentally appropriate for ensuring the completeness, the accuracy, the timely and orderly recording and booking of business transactions.

2. Annual financial statements

- 28 The annual financial statements we have audited for the financial year from April 1, 2018 to March 31, 2019 have been properly derived from the accounting records and the underlying documents of the Company. The balance sheet and the income statement were prepared in accordance with German commercial law and regulations governing the accounting for corporations including the principles of proper accounting.
- 29 The opening balances were properly taken over from the prior year annual financial statements. Statutory regulations on recognition, disclosure and measurement were observed.
- 30 The notes to the 2018/2019 financial statements included the explanations of the balance sheet and the income statement required as well as all other information required.
- 31 Size-related relief in accordance with § 288 HGB were exercised appropriately.

3. Management report

- 32 The management report we audited for the financial year from April 1, 2018 to March 31, 2019 complies with legal regulations in all material aspects.

II. Overall presentation of the annual financial statements

1. Explanations of the overall presentation

33 The disclosures made concerning the accounting policies applied and measurement methods used were included in the Company's notes to the 2018/2019 financial statements (Appendix 3).

The exercise of accounting policy and measurement options as well as discretionary judgment for the following items in the annual financial statements have had a significant influence on the net assets, financial position and results of operations:

34 The purchased concessions, industrial and similar rights and assets, including licenses for such rights and assets, predominantly relate to licenses for the medication sold. The license acquired in 2009 at a cost of k€ 2,360 for the Veratide product is amortized using the straight-line method over the expected useful life of 13 years.

35 The other provisions are recognized for all risks and contingent liabilities identified up to the date of preparation of the annual financial statements in an amount based on prudent business practice. They mainly consist of the provision of k€ 64.339 (2017/2018: k€ 47,723) for health insurance fund discounts. This provision covers the discounts that are likely to be granted to discount contract partners in the future. As some of the discount contract partners only settle with the Company once a year, the discounts that are expected to be granted had to be estimated as at March 31, 2019. To calculate the provision for discounts, the Company used statistical market data that it obtained from an independent third party and which is made available with a delay of approximately one to two months. The final one to two months of the financial year were therefore estimated on the basis of the goods sold to wholesale.

2. Findings on the overall presentation of the annual financial statements

36 On the basis of the audit we performed by executing our professional duties, we are of the opinion that the annual financial statements as a whole give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with generally accepted accounting principles.

3. Economic matters

- 37 The Company sells pharmaceutical products, predominantly in Germany.
- 38 The company is part of the Sun Pharmaceutical Industries group, which is the largest pharmaceutical manufacturer in India and is one of the five largest generic drug manufacturers worldwide. All medicinal products sold by the company must comply with the approval and quality regulations of the German and European regulatory authorities.
- 39 The main emphasis of business activities is the purchase and sale of generic drugs which are obtained from affiliated companies mainly from India.
- 40 In the German market, the Company participates in invitations to tender issued by statutory health insurance funds. In order to make greater inroads into the discount contract market, the Company established Ranbaxy GmbH, Leverkusen, in 2012 and has entered into a profit-and-loss transfer agreement with it. The business activities of Ranbaxy GmbH were scaled back significantly in the 2017/2018 financial year. In accordance with the merger contract dated November 20, 2018, Ranbaxy GmbH was merged into Basics GmbH. The effective merger date was April 1, 2018.
- 41 Basics GmbH operates in rented premises in Leverkusen. It uses a logistics company for storage of its goods and for shipping.

E. REPRODUCTION OF THE AUDITOR'S REPORT

42 We issued the following unqualified auditor's report:

"Independent Auditor's Report

To the Basics GmbH, Leverkusen

Audit Opinions

We have audited the annual financial statements of Basics GmbH, Leverkusen, which comprise the balance sheet as at March 31, 2019, and the statement of profit and loss for the financial year from April 1, 2018 to March 31, 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Basics GmbH, Leverkusen, for the financial year from April 1, 2018 to March 31, 2019.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at March 31, 2019 and of its financial performance for the financial year from April 1, 2018 to March 31, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined 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, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

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 whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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."

F. FINAL REMARKS

Publication or reproduction of the annual financial statements and the management report of Basics GmbH, Leverkusen, for the financial year from April 1, 2018 to March 31, 2019 in a form different from the certified form, which is attached as an Appendix to this report, again requires our consent if our auditor's report is quoted or if reference is made to our audit. We herein refer to § 328 HGB.

Cologne, May 3, 2019

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Martin Schulz-Danso
Wirtschaftsprüfer
(German Public Auditor)

Marcus Koerner
Wirtschaftsprüfer
(German Public Auditor)

APPENDICES

Basics GmbH, Leverkusen

Balance sheet as of March 31, 2019

Assets

	€	Status on 31/03/2019 €	Status on 31/03/2018 €
A. Fixed Assets			
I. Intangible assets			
1. Franchises, trademarks, patents, licences and similar rights	607,702.42		840,538.68
2. Advance payments	35,000.00		0.00
		642,702.42	840,538.68
II. Tangible fixed assets			
Other assets, plant, machinery and office equipment		125,044.39	100,074.60
III. Financial assets			
Shares in affiliated companies		0.00	25,000.00
		767,746.81	965,613.28
B. Current Assets			
I. Inventories			
Finished goods		10,014,876.79	6,423,260.96
II. Accounts receivable and other assets			
1. Trade accounts receivable	21,221,873.58		22,649,339.58
2. Accounts due from affiliated companies	35,526,240.69		4,761,406.28
3. Other current assets	95,632.19		256,843.59
		56,843,746.46	27,667,589.45
III. Cash in hand and at banks		11,463,932.73	30,931,540.84
		78,322,555.98	65,022,391.25
C. Deferred Charges and prepaid Expenses		121,565.57	127,071.20
		79,211,868.36	66,115,075.73

Liabilities and Shareholders' Equity

	€	Status on 31/03/2019 €	Status on 31/03/2018 €
A. Shareholders' Equity			
I. Capital subscribed		4,875,000.00	4,875,000.00
II. Capital reserve		2,500,000.00	2,500,000.00
III. Profit carried forward		2,130,842.16	1,457,718.04
IV. Profit for the year		808,296.63	673,124.12
		10,314,138.79	9,505,842.16
B. Provisions			
1. Tax accruals	78,584.00		513,711.00
2. Other accruals	66,852,262.86		55,732,585.62
		66,930,846.86	56,246,296.62
C. Liabilities			
1. Trade liabilities	1,184,354.56		98,037.74
2. Accounts due to affiliated companies	405,970.45		219,518.52
3. Other liabilities	376,557.70		45,380.69
- thereof from taxes: € 372,653.11 (prior year: € 43,545.14) -			
- thereof from social security: € 2,958.67 (Vorjahr: € 1,835.55) -			
		1,966,882.71	362,936.95
		79,211,868.36	66,115,075.73

Basics GmbH, Leverkusen

Profit and Loss Account
for the period from April 1, 2018 to March 31, 2019

	€	€	2017/2018 €
1. Sales		40,696,857.61	39,323,326.67
2. Other operating income		514,836.41	65,615.24
3. Cost of materials			
Cost of raw materials, supplies and trading stock		-33,075,690.74	-32,371,347.11
4. Personnel expenses			
a) Wages and salaries	-2,469,099.83		-2,040,561.27
b) Social security	-459,633.99		-419,465.79
- thereof for pensions: € 112,711.20 (prior year: € 98,526.67) -		-2,928,733.82	
5. Depreciation on intangible and tangible assets		-266,087.75	-225,777.50
6. Other operating expenses		-3,876,406.14	-3,257,577.98
7. Income from profit and loss transfer agreement		0.00	34,532.25
8. Other interest and similar income		15,678.68	3,144.36
- thereof from affiliated companies: € 3,430.56 (prior year: € 0.00) -			
9. Interest and similar expenses		-14,388.00	0.00
10. Taxes on income		-256,944.84	-438,764.75
11. Result after taxes		<u>809,121.41</u>	<u>673,124.12</u>
12. Other taxes		-824.78	0.00
13. Net income		<u><u>808,296.63</u></u>	<u><u>673,124.12</u></u>

**Basics GmbH,
Leverkusen**

**Annex to the financial statements for the financial year
from April 1, 2018, to March 31, 2019**

I. General

Basics GmbH has its registered seat in Leverkusen and is registered in the Register of Companies of the Local Court in Köln (Reg. No. HRB 49673).

The annual financial statements as at March 31, 2019, were drawn up in accordance with the provisions of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) as are applicable for medium-sized corporations within the meaning of article 267 para. 2 HGB in conjunction with the provisions of the German Limited Companies Act (GmbHG).

The annual financial statements consist of the balance sheet, the profit and loss account and the Annex (including the fixed assets schedule). The profit and loss account is drawn up by the aggregate cost method.

II. Accounting and valuation principles

The valuation of the **intangible** and the **tangible assets** is effected at purchase prices reduced by the scheduled linear depreciation or at the lower value to be attributed.

The following useful lives are stated:

Licenses	5 years
Naming rights	13 - 15 years
Furniture, fixtures and other equipment	3 - 10 years

The **inventories** are valued in compliance with the lower-of-cost-or-market rule, either at purchase prices or the lower value to be attributed at the balance sheet date.

The valuation of the **trade accounts receivable**, the **other assets** as well as the **liquid funds** is carried out at nominal value.

The **prepaid expenses and deferred charges** show expenses prior to the date of the balance sheet as far as these expenses relate to a particular period after the date of the balance sheet.

The **provisions for taxation and other reserves** allow for any recognizable risks and contingent liabilities at the date the financial statements are drawn up. They are reported at the performance amount required for reasonable financial assessment.

The **liabilities** are carried at their amount payable.

Foreign currency receivables and liabilities are valued using the mean spot exchange rate as at balance sheet date.

III. Notes to the balance sheet

1. Fixed assets

The development of the individual items of the fixed assets is represented in the fixed assets schedule attached to the Annex.

According to the merger agreement dated November 20, 2018, the 100%-based subsidiary Ranbaxy GmbH was merged into Basics GmbH. The registration in the commercial register took place under the date of November 23, 2018.

2. Current assets

The **accounts receivable and the other assets** are all due within up to one year, except for an amount of T€ 27.

The **receivables from affiliated companies** mainly relate to receivables from advance payments on delivery of goods being expected for the following financial year and cost allocations to the utmost parent company Sun Pharmaceutical Industries Ltd., India (T€ 28,606).

In addition, a loan of T€ 6,500 to Sun Pharmaceutical Industries (Europe) B.V. was granted on February 1, 2019, on market terms. This loan has a basic term of 5 years. It can be repaid by the borrower at any time in parts or as a whole.

3. Other provisions

The other provisions comprise the following main items:

	T€
Invoices not yet settled	66,286
Human resources	544
Financial statement expenses	22
	<u>66,852</u>

The invoices not yet paid relate in particular to outstanding settlements under discount agreements made with various health insurance providers (T€ 64,339). The amount of the provisions set up so far is estimated for the main part on the basis of external market data obtained for the relevant quantities of the products included in the discount agreements. If and when such market data are not yet available, the estimate of the quantities sold is effected on the basis of the quantities sold to the pharmaceutical wholesalers.

4. Liabilities

The liabilities are all due within up to one year.

IV. Notes to profit and loss account

The **sales** have been accounted for according to the revision of article § 277 para. 1 HGB in the version of the BilRUG. They are grouped as follows:

	T€
Sales from the sale of products	39,810
Sales from the performance of services	887
	<u>40,697</u>

Other operating income (T€ 515) includes as material items income from cost allocations to group companies (T€ 437) and revenues from the benefits in kind offered to the employees (T€ 56).

The **other operating expenses** are composed as follows:

	T€
Administrative expenses	2,296
Marketing and distribution expenses	1,198
Expenses for regulatory and quality assurance	382
	<hr style="border-top: 1px solid black;"/>
	3,876 <hr style="border-top: 1px solid black;"/>

The **depreciation** includes unscheduled amortization of a software with an amount of T€ 44.

V. Other information

1. Other financial obligations

As at March 31, 2019, there are other financial obligations from rental and leasing agreements to the amount of T€ 425 that are due before January 31, 2022. The objects of the leasing agreements are for the most part vehicles and office equipment and furnishings.

2. Staff

The company's staff comprises 33 employees on an annual average.

3. Management

In the financial year under review,

Hellen de Kloet, pharmacist, Bennebroek, Netherlands,

was the appointed director.

The company takes advantage of the option provided by article 286 para. 4 HGB.

4. Supplementary report

After the closure of the financial year no events of major importance have occurred that affect the present financial statements.

5. Appropriation of net income

The financial year closes with an annual net profit of T€ 808. The director recommends that the entire net profit of T€ 2,939 should be carried forward to new account.

6. Group affiliation

Basics GmbH is a wholly owned subsidiary of Sun Pharma (Netherlands) B.V., Amsterdam/Netherlands, and is integrated in the consolidated financial statements of Sun Pharmaceutical Industries Limited, Mumbai/India.

The consolidated financial statements of Sun Pharmaceutical Industries Limited can be inspected at <http://www.sunpharma.com/investors/annualreports>.

Leverkusen, April 30, 2019

Basics GmbH,
Leverkusen

Hellen de Kloet

Basics GmbH, Leverkusen

Fixed assets movement schedule for the period April 1, 2018 to March 31, 2019

	Historical costs				Accumulated depreciation				net book value	
	Status on 01/04/2018	Additions	Disposals	Status on 31/03/2019	Status on 01/04/2018	Additions	Disposals	Status on 31/03/2019	Status on 31/03/2019	Status on 31/03/2018
I. Intangible assets	€	€	€	€	€	€	€	€	€	€
1. Licenses, trademarks and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	5,162,232.25	1,519.47	0.00	5,163,751.72	4,321,693.57	234,355.73	0.00	4,556,049.30	607,702.42	840,538.68
2. Advance payments	0.00	35,000.00	0.00	35,000.00	0.00	0.00	0.00	0.00	35,000.00	0.00
	5,162,232.25	36,519.47	0.00	5,198,751.72	4,321,693.57	234,355.73	0.00	4,556,049.30	642,702.42	840,538.68
II. Property, plant and equipment										
Other assets, plant, machinery and office equipment	310,916.32	56,701.81	0.00	367,618.13	210,841.72	31,732.02	0.00	242,573.74	125,044.39	100,074.60
III. Financial assets										
Shares in affiliated companies	25,000.00	0.00	25,000.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00
	5,498,148.57	93,221.28	25,000.00	5,566,369.85	4,532,535.29	266,087.75	0.00	4,798,623.04	767,746.81	965,613.28

**Basics GmbH,
Leverkusen**

**MANAGEMENT REPORT FOR THE FINANCIAL YEAR
FROM APRIL 1, 2018, TO MARCH 31, 2019**

Object of the company

Basics GmbH for the most part distributes generic pharmaceuticals of the Indian company Sun Pharmaceutical Industries Limited (Sun Pharma). Sun Pharma is the largest pharmaceutical enterprise in India and the fourth largest producer of generics worldwide.

With its portfolio of products, the company operates on the German health market, the focus being laid on generics on the pharma market. The principal customers are wholesalers and pharmacies.

Economic report

General framework and business trend

The generics market in Germany

In the period under review from April 1, 2018, to March 31, 2019, the total sales of generics amount to more than 7.55 billion euros (source: Insight Health NPI MAT 03 2019). This stands for a sales plus of approx. 2 % compared to the same period of the previous year, whereas the sales volume decreased by approx. 1.6 % (source: ibid.).

On the German pharmaceuticals market, in the generics-compliant segment (generics, former originals whose patent has expired), discount agreements have taken root as a permanent feature. In December 2018, the number of the current discount agreements was about 28,000; they were concluded by 184 pharmaceutical companies with 110 health insurance providers (source: Marktdaten Pro Generika, 02/2019). As a result, in the period from 03/2018 to 02/2019, the share of the generic preparations sold under discount agreements in medical prescriptions was 75% (source: Insight Health NVI-KT, MAT 02.2019).

The price competition remains intense. On the discount agreement market, in 2018, a share of 69 % is accounted for by 10 manufacturers (source: Marktdaten Pro Generika, 02/2019). From January to December 2018, 505 million sales packs were issued. This represents an increase of 1.2 % compared to the same period of the previous year. There has also been an increase in sales. Excluding discounts from discount contracts, generic sales in 2018 were 5.55 billion euros. This represents an increase of 3.5 % (source: Marktdaten Pro Generika, 02/2019). In addition, the maintenance of the co-payment exemption option and the additional reduction of the reference price of individual products - part of which are significant - will continue to produce effects on profitability.

For the period from 04/2018 to 03/2019 under review, the top 25 generic drug producers in Germany in the prescription drug segment rank as follows:

Rank	Manufacturer	04/2018 - 03/2019 Sales ApU* (in millions of €)	04/2018 - 03/2019 Growth
1	ratiopharm	424.2	-16%
2	Aliud	388.6	-2%
3	1 A Pharma	366.2	-5%
4	Hexal	360.7	-4%
5	Zentiva Pharma	295.1	-2%
6	Heumann	288.4	-2%
7	TAD Pharma	197.1	-19%
8	Neuraxpharm	174.4	27%
9	ABZ Pharma	172.4	9%
10	Aristo Pharma	163.8	21%
11	Basics	158.2	26%
12	PUREN Pharma	140.9	69%
13	Medac	138.4	2%
14	Aurobindo	137.9	9%
15	betapharm	127.0	13%
16	Glenmark	112.8	13%
17	Heunet	105.2	20%
18	Mylan dura	91.1	17%
19	Falk	73.0	4%
20	Accord	67.0	134%
21	Teva	66.3	-5%
22	Pfizer Ph.PFE	59.8	-5%
23	Meda Pharma	59.4	-17%
24	Kade/ Besins	50.9	10%
25	Stadapharm	48.6	-3%

*) ApU = sales price of pharmaceutical companies

Source: Insight Health NPI MAT 03.2019

As in the previous years, the German generics market was for the most part dominated by the top three groups of companies - Novartis (1A/Hexal/Novartis), Teva (Teva/Ratiopharm/ABZ) and Stada (Stadapharm/Aliud) - which together had a market share of 37% of the sales volume (source: Insight Health, NPI MAT 03.2019). These groups of companies are most successful in using their broad and deep portfolio and their offering strategies to be awarded a great part of the discount agreements tendered by the health insurance companies.

In the period under review, Basics GmbH could improve its ranking to number 11 position of the best-selling generics companies. As against the same period of the previous year, the gross sales increased by 26 % to more than 158 million euros.

In the financial year under review, too, numerous statutory health insurance providers launched invitations to tender for discount agreements in which Basics GmbH took successfully part. In addition, in the period reviewed, several discount agreements with various health insurance companies became effective which had been tendered for in the previous year and had been awarded to Basics GmbH. Particular mention is to be made of the successful increase in discount agreements with the DAK Gesundheit health insurance company as well as of the award of discount agreements with Germany's largest tendering consortium formed by the AOK companies. Between 04/2018 and 03/2019, Basics started AOK discount agreements for three molecules (atorvastatin, irbesartan comp. and pantoprazole).

During the financial year from 04/2018 to 03/2019, to expand its portfolio, Basics GmbH introduced pharmaceuticals for five molecules. These also include various products intended to diversify dosage strengths and packaging sizes of existing substances with a view to optimizing competitiveness by complete coverage.

The business development in the year under review is assessed as positive by the management.

EARNINGS SITUATION

As in the previous years, the growth driver for the transactions of Basics GmbH is the expansion of the discount business with the health insurance companies.

In the period under review, the company was able to increase its gross sales revenues (to be understood here as the sales revenues at manufacturer's prices before deduction of discounts and other sales deductions) by approx. 25 % as against the same period of the previous year. This is due in particular to the increase in the number of discount agreements with health insurance providers.

The net sales rose by 3.5 % to 40.7 million euros. The forecast drawn up at the beginning of the financial year (42 million euros) was only 97 % achieved on the basis of temporary supply bottlenecks for some products.

With 18.7 %, the gross yield margin showed a slight increase as against the previous year (17.7 %).

The personnel cost ratio this year is 7.2 % (previous year: 6.3 %). This ratio is expected to remain more or less stable in the new financial year.

The other operating expenses show an increase of 0.6 million euros. This is mainly attributable to higher expenditure on marketing and distribution in connection with a change in logistics service provider and an increase of regulatory expenses.

Depreciation rose by T€ 40 compared to previous year, mainly due to an unscheduled amortization of software.

The operating profit has remained almost constant. It represents a return on sales of 2.6 % (previous year: 2.7 %).

After deduction of income taxes the net earnings amount to 0.8 million euros.

FINANCIAL SITUATION

The financial situation of the company is to be qualified as very stable. The financial management aims to always settle payables within the time allowed for payment and also to collect receivables within the period allowed.

Total fixed assets decreased to 0.8 million euros (previous year: 1.0 million euros).

The short-term and medium-term assets have increased by 13.3 million euros as against the previous year and now amount to 99.0 % of the balance sheet total (previous year: 98.5 %).

The change of logistics service provider as of 31 December 2018 and the EU regulation on counterfeit medicine, which came into force on 09 February 2019, necessitated a stockpiling on inventory in order to ensure uninterrupted supply to wholesalers and pharmacies. As a result the value of inventories increased by 3.6 million euros to 10.0 million euros as of the reporting date. This special effect will gradually neutralize itself over the coming months.

The low interest level showing up at the capital market, as well as the fees levied by banks on positive bank balances required a realignment of the use of cash and cash equivalents. In this respect, on the one hand, a loan to a group sister company amounting to 6.5 million euros was granted on market terms. On the other hand, advance payments to the parent company Sun Pharmaceutical Industries Limited in the amount of 27.3 million euros were carried out for goods being expected for delivery, which had not been supplied at the balance sheet date.

As a result, receivables against affiliates have increased by a total of 30.8 million euros. Cash and cash equivalents decreased by 19.5 million euros.

Corresponding with the expansion of the tender business with the health insurances, the other provisions are higher by 11.1 million euros than in the previous year.

Accordingly, the balance sheet total has increased by 13.1 million euros.

The capital structure is good. As a result of the increase in total assets, the equity ratio now is 13.0 % (previous year: 14.4 %).

Financial indicators

For our internal management control, we use the net sales and the operating result (EBIT) as well as the EBIT as a percentage of sales as indicators.

With net sales of 40.7 million euros and an operating result of 1.1 million euros, an EBIT of 2.6 % of the sales is achieved. The figures budgeted were 42 million euros for net sales and an EBIT as a percentage of sales in the range of 1.5 - 3.5 %.

Forecast report

We continue to rate the probable future development of Basics GmbH as positive. The pharmaceutical industry offers a great growth potential in the area of generics particularly with regard to the conclusion of further discount agreements if service, price and quality are consistently aligned with the customers' requirements.

Accordingly, effects increasing sales are expected from the start of other new discount agreements in 2019 and the ensuing years. Among these effects both, the extension of existing discount partnerships and the conclusion of agreements on additional substances with all large German statutory health insurance providers and the confederations of these providers are expected. As we have already been awarded molecules, the agreement for which will start in the upcoming financial year, the further increase in sales is ensured. As an example, in June 2019, non-exclusive and exclusive discount agreements with the AOK insurance providers will start which Basics GmbH has concluded for another two years for six molecules. Likewise, in June 2019, discount agreements will start on a multi-partner level for three molecules with DAK, Germany's fourth largest health insurance provider. In this connection, it is of particular importance that the ability to supply the products is ensured by a professional product management system and that the inventories are subjected to continuous inspection.

For the current new financial year the introduction of various new molecules is planned. This includes expansions of, and additions to, the existing portfolio which will both increase competitiveness and produce positive effects on the net income.

The sales projection for the period from April 1, 2019, to March 31, 2020, states ca. 43.6 million euros. The targeted EBIT range with respect to sales is 1.5 – 3.5 %.

Risk report

As a general rule, the tender business on which Basics GmbH has focussed its activities involves certain risks, among these contractual penalties - which in part are not negligible - in the case of inability to supply or depreciation expenses that may be produced by low-inventory turnover ratios of products with a comparatively small sales volume. The latter may increase the necessity for carrying out write-downs. To minimize these risks and ensure continuous supplies of products meeting the demand, internal processes are optimized continuously.

In addition, to further minimize the business risks on the procurement side, the sources of supply are diversified by regions (Europe and Asia), if possible.

Pricing risks are considered to be low, as the goods are sourced almost exclusively from group companies.

The credit risk on trade receivables from the sale of medicinal products is recognised by corresponding individual value allowances. A general bad debt allowance is not necessary due to stringent customer monitoring and the very low default rates resulting thereon.

Owing to the stable liquidity and equity situation of our company, liquidity risks are at present not recognizable. Liquidity problems are not to be expected.

Major foreign currency risks which might have an influence on the financial and earnings position of the company do not exist. Supplies of goods from countries outside the euro region are settled in euros.

Opportunities report

The health market is, and will remain, a growth market.

The following focusses and opportunities have been identified:

- extension of the product ranges by additional dosage strengths, dosage forms or packaging sizes,
- increased cooperation within the corporate group, and
- opening-up of new business areas.

We consider ourselves to be well prepared for continuously participating in all significant future invitations to bid by health insurance providers, laying the focus also on attaining higher profit margins, wherever possible. Likewise, there are plans to optimize the portfolio with a view to better covering the requirements of future calls for tenders.

Overall assessment

In our opinion, risks for the future development are associated with the highly competitive surroundings in the area of discount agreements and the rising purchase prices and stagnating and, in part, downward sales price level as a result of permanent legal regulatory measures in particular.

In the light of the stability of the liquidity and equity situation of our company, we do not see any risks jeopardizing our position.

Leverkusen, April 30, 2019

General Management

Hellen de Kloet

APPENDIX 5

Legal and fiscal situation

Name of company, Place of registration

Basics GmbH, Leverkusen

Commercial Register

District Court of Cologne - HRB 49673

Object of the company

Manufacturing and selling pharmaceutical products

Partnership Agreement

Version dated December 12, 2013

Capital and shareholder

	€
Sun Pharma (Netherlands) B.V. (The Netherlands)	<u><u>4,875,000.00</u></u>

Management

Hellen de Kloet, Bennebroek (The Netherlands)

The director was granted the power of sole representation. She is exempted from the provisions of section 181 BGB.

People with commercial power of attorney

Hilmar Kerper, Mettmann
Ahmed Banjaddi, Leverkusen

Financial year

April 1 to March 31 of the following year

Shareholders' Meeting

An ordinary shareholders' meeting took place on October 30, 2018; the following resolutions were passed:

1. The annual financial statements of Basics GmbH as at March 31, 2018 are adopted.
2. The net profit for the year 2017/2018 amounting to € 673,124.12 is carried forward to new account.
3. Discharge is granted to the company's directors.

Tax status

The company is registered with the Leverkusen Tax Office under the tax number 230/5701/1303.

The last tax audit covered the period 2013 to 2015 and was completed in the 2017/2018 financial year.

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

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