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We would like to draw your attention to the fact, that our report on the audit of the annual financial statements is legally binding only as a signed original.

As only the bound report, signed by us, is the result of our audit 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 audit report (General Engagement Terms dated 1st January 2002).

Cologne, May 17, 2016
- 54011/K -

**Basics GmbH,
Leverkusen**

**Report on the Audit
of the Annual Financial Statements as at March 31, 2016
and the Management Report for the 2015/2016 financial year**

- TRANSLATED VERSION OF THE GERMAN ORIGINAL -

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A. Audit Engagement

1 Corporate Management of

Basics GmbH,

Leverkusen,

- hereinafter referred to as "company" -

have engaged us to audit the annual financial statements, under inclusion of the company's accounting records and the management report for the financial year ending March 31, 2016. We have accepted this engagement under the terms of our confirmation letter, dated October 6, 2015.

Preparing accounting records and the annual financial statements and the management report, in accordance with provisions of German Commercial Law, is the responsibility of the company's corporate management. Our responsibility is to express an opinion, based on our audit, on the annual financial statements and the management report.

2 We have accepted this audit engagement on the basis of the Terms and Conditions of Engagement for Auditors and Auditing Firms (Wirtschaftsprüfer: German equivalent of certified public accountant, Wirtschaftsprüfungsgesellschaft: audit firm) as amended on January 1, 2002 and published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW - Institute of Public Auditors in Germany), which are attached to this report as Appendix 7. Our responsibility - also with respect to third parties - is governed exclusively by the aforementioned terms and conditions.

3 We confirm in accordance with section 321 para. 4a of the German Commercial Code (HGB) that, in performing our audit of the financial statements, we have observed the applicable regulations relating to independence.

4 We have reported on our audit in accordance with section 321 of the German Commercial Code (HGB) and the principles of proper reporting on audits (IDW audit standard 450). Our report consists of a

main section, which includes all material findings in summarized form, and

7 appendices, which constitute a material part of our report.

B. Fundamental Findings

Company's situation

Comments on the assessment of the Company's situation

5 Responsibility for the preparation of the management report lies with the Company's management. We have summarized below the particularly important assumptions and the other forecasts contained in the management report that are key to an assessment of the Company's situation:

- In the 2015/2016 financial year, the Company reported an increase in gross revenue of 14 %, which can be attributed in particular to the higher number of health insurance fund discount contracts. Net revenue rose by 20 % to € 27.7 million.
- The gross margin declined to 18.4 % (2014/2015: 19.9 %) because low-margin discount business made up a larger proportion of total operating output.
- Restructuring in connection with the merger at Group parent level resulted in a sharp rise in other operating income, mainly due to the reversal of a provision for expenses in connection with product approvals (€ 1.0 million) and increased income from cost transfers within the Group network.
- The rise in current to medium-term assets (up by € 7.6 million) is primarily attributable to increased cash and cash equivalents (up by € 11.5 million), of which € 5.0 million was accounted for by the repayment of a loan granted to the shareholder.
- Provisions grew by € 6.9 million year on year, mainly in connection with the expansion of discount business with the health insurance funds.
- Basics GmbH is expected to perform well going forward. In 2016 and subsequent years, there are predicted to be effects resulting from the start of new discount contracts that will boost revenue and unit sales.
- The main risk in relation to discount contract business is from penalties imposed in the event of inability to supply, some of which are very high.
- Opportunities include closer collaboration within the new Group network, development of new lines of business (particularly supplying hospitals), and non-prescription (OTC) medication.

- 6 The directors' report conforms with the legal requirements of section 289 of the German Commercial Code. The directors' comments concerning the development of the business, economic position of the company and opportunities and risks of future development are reasonable, appropriate and consistent with the findings of our audit. Our audit has not found any indications that the Company's continued existence as a going concern is at risk.

C. Objective, Nature and Scope of the Audit

- 7 The company's accounting records, the annual financial statements and the management report constitute the subject matter of our audit.

The Company is classified as a middle-sized entity within the meaning of section 267 of the Commercial Code (HGB). For the purpose of the annual financial statements it applies the German generally accepted accounting principles of the HGB.

Our audit has been conducted in accordance with Article 317 of the German Commercial Code and the generally accepted auditing standards (IDW PS 201 and all further auditing standards as applicable). We have examined whether the financial statements and the management report are in compliance with the statutory regulations and any additional regulations within the Articles of Association and adhere to the general principles of proper accounting. Compliance with other statutory provisions only forms part of the statutory audit of the financial statements and the management report to the extent that such provisions themselves in turn would normally affect the financial statements or the management report. The audit is not designed to specifically discover and investigate criminal offences such as, for example, fraud or misappropriation of funds, or to determine whether breaches of regulations unrelated to financial statements and the accounting function have been committed.

- 8 We have conducted a risk orientated audit. This implies that the risk of errors or violations of accounting regulations is an essential criterion for determining the nature and scope of our audit procedures. In order to enable us to pass judgement on the legality and the proper nature of accounting, we have, first of all, on the basis of our knowledge of the company's business activities and their legal and commercial environment, taken the risk of error pertaining to the various financial statement items into account.

We planned our audit procedures on the basis of this risk assessment. In doing so, we took into account the economic significance of the audit areas and the nature of the organization of the company's accounting system. The substantive tests encompassed the assessment of plausibility and the audit of evidence on individual transactions.

We conducted our main audit in April/May 2016 in the company's office. Our audit focussed on:

- Existence and valuation of the merchandise
- Evidence and evaluation of trade accounts receivable
- Completeness and evaluation of accruals.

The audit report was subsequently completed in our offices. We documented the nature and scope of our audit procedures in our working papers. Explanations and documentation required for the audit were readily made available to us by the directors as well as the staff they designated as our contacts.

- 9 According to the **management representation letter** provided to us by the directors, all business transactions requiring accounting have been recorded in the books, the information provided to us was complete and all assets, obligations and risks subject to accounting requirements have been taken into account in the financial statements and the management report.

D. Findings regarding the accounting

1. Compliance with regulations on accounting

1.1. Accounting system

- 10 As audit documents were available to us, in addition to the financial statements, the books, inventory listings, receipts, contracts, and other documentation requested by us.
- 11 The accounting function and records comply with legal requirements and standards of orderly accounting. We have not discovered deficiencies in the audited documents.

The requisite accounting records, invoices and other documents required to gain an understanding of the Company's accounting function are available for inspection and are kept in accordance with standards of proper accounting. Assets and liabilities could be substantiated. We determined that the accounting function complies with statutory regulations and the principles of orderly accounting.

- 12 The principles of proper accounting when using computer systems have also been observed, according to our audit findings. Our findings show that data processing equipment and applications software function reliably.

1.2. Annual financial statements

- 13 The prior year financial statements for the period from April 1, 2014 to March 31, 2015 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion on April 28, 2015.
- 14 The annual balance sheet as at March 31, 2016 and the profit and loss statement for the period from April 1, 2015 to March 31, 2016 have been properly derived from the accounting records. The classification corresponds to the provisions of the German Commercial Code. The assets were evidenced to us by means of statements of balances and securities, stocktaking lists, confirmations of balances, registers, index files, copies of correspondence and other documents, which, taken as a whole, constitute the legally prescribed inventory.

The company's annual financial statements were prepared in accordance with sections 242 to 256 HGB and the supplementary provisions of sections 264 to 288 HGB.

Valuation of the assets and liabilities was in accordance with the provisions of the German Commercial Code. The accounting and valuation methods applied by the company are presented in the notes to the financial statements (Appendix 3). They are unchanged in comparison to the previous year. The principle of consistency in the exercise of valuation methods and the use of elective rights was observed.

- 15 The **notes** to the financial statements comply with the legal requirements. The notes to the financial statements meet all legal requirements and include all required disclosures, information about, explanations and justifications of the disclosure, accounting and valuation methods employed for the individual items of the balance sheet and the income statement as well as all requisite supplemental disclosures. We have audited the detailed information in connection with the corresponding items in the financial statements and in preparing the figures for the reporting and, where needed, have explained them in greater detail.

1.3. Management report

- 16 In our opinion, the management report contains the information and disclosures required by section 289 HGB. It complies with the law and the memorandum and articles of association, its content is plausible, it is consistent with the findings of our audit and, on the whole, provides a suitable view of the Company's situation. Based on the findings of our audit, the management report also accurately presents the significant opportunities and risks of future development.

The Company's management has stated that no events of particular importance occurred after the balance sheet date. Our audit did not reveal any findings to the contrary.

2. Overall statement of the annual financial statements

2.1. Findings concerning the overall statement of the annual financial statement

17 According to the results of our audit under due consideration of German generally accepted accounting principles the financial statements give a true and fair view of the net assets situation, results of operation and cash flow of the company. Supplemental explanatory notes are not required.

18 In the course of our audit, we did not identify any changes to the valuation fundamentals (choice of accounting and valuation options and use of discretionary powers) or measures which change the factual framework and have a material effect on the company's assets, financial, and earnings position.

Appendix 6 contains details of the legal and tax fundamentals.

2.2. Significant valuation principles

19 Accounting policies and valuation principles are disclosed in the notes to the financial statements (part of Enclosure 3) in accordance with the German Commercial Code.

The Company's net assets, financial position and results of operations are significantly influenced by, in particular, estimates in relation to the following items in the annual financial statements:

20 The purchased concessions, industrial and similar rights and assets, including licenses for such rights and assets, predominantly relate to licenses for the medication sold and to the right to the name "Basics". 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. Amortization is recognized on the right to the 'Basics' name using the straight-line method over a useful life of 15 years.

Write-downs of k€ 397 (2014/2015: k€ 1,007) were recognized for merchandise, mainly to reflect the price risk and obsolescence risk. Obsolescence risk was estimated on the basis of the period of time remaining before the expiry date.

- 21 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€ 41,128 (2014/2015: k€ 33,672) 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, 2016. 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 three months. The final three months of the financial year were therefore estimated on the basis of the goods sold to wholesale.

3. Economic matters

- 22 The Company sells pharmaceutical products, predominantly in Germany.

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.

The main emphasis of business activities is the purchase and sale of generic drugs which are obtained from affiliated companies mainly from India.

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.

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 Opinion

23 In accordance with the final results of our audit of the Annual Financial Statements at March 31, 2016 and the management report of Basics GmbH, Leverkusen, we have issued the following

"Auditor's Opinion

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system and the management report of Basics GmbH, Leverkusen, for the business year from April 1, 2015 to March 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

We hereby submit this audit report in accordance with section 321 HGB and the principles of proper reporting on audits.

If these annual financial statements and the management report are published in any form other than the confirmed version attached as an annex to this report, we will be required to submit further comments in cases where our opinion is quoted or reference is made to our audit; please refer to section 328 HGB for further information.

Cologne, May 17, 2016
- 54011/K -

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Graf von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

Appendices

Basics GmbH, Leverkusen

Balance sheet as of March 31, 2016

Assets		€	Status on 31/03/2016 €	Status on 31/03/2015 €
A. Fixed Assets				
I. Intangible assets				
1. Franchises, trademarks, patents, licences and similar rights	1,178,620.42		1,391,217.05	
2. Goodwill	0.00		31,248.25	
3. Payments in advance	32,500.00		20,157.52	
		1,211,120.42	1,442,622.82	
II. Tangible fixed assets				
1. Other assets, plant, machinery and office equipment	48,017.47		54,266.66	
2. Advance payments	17,849.63		21,444.20	
		65,867.10	75,710.86	
III. Financial assets				
Shares in affiliated companies		25,000.00	25,000.00	
		1,301,987.52	1,543,333.68	
B. Current Assets				
I. Inventories				
Finished goods		7,082,633.72	4,937,428.63	
II. Accounts receivable and other assets				
1. Trade accounts receivable	13,853,144.21		14,043,505.96	
2. Accounts due from affiliated companies - thereof from shareholder: € 0.00 (prior year: € 5,008,600.00) -	1,295,895.38		7,067,664.17	
3. Other current assets	62,359.09			
		49,200.43	130,346.74	
III. Cash in hand and at banks				
		15,211,398.68	104,122.87	
		27,907,234.48	21,215,293.00	
		50,201,266.88	16,375,746.40	
		49,200.43	42,528,466.03	
		51,552,454.83	44,202,146.45	
C. Deferred Charges and prepaid Expenses				
		49,200.43	130,346.74	
		51,552,454.83	44,202,146.45	
		51,552,454.83	44,202,146.45	

Liabilities and Shareholders' Equity		€	Status on 31/03/2016 €	Status on 31/03/2015 €
A. Shareholders' Equity				
I. Capital subscribed		4,875,000.00	4,875,000.00	4,875,000.00
II. Capital reserve		2,500,000.00	2,500,000.00	2,500,000.00
III. Accumulated surplus (deficit) beginning of the year		190,480.28	190,480.28	351,029.60
IV. Profit/Loss for the year		563,570.56	563,570.56	-160,549.32
		8,129,050.84	8,129,050.84	7,565,480.28
B. Provisions				
1. Tax accruals	133,316.00		84,747.22	27,241.61
2. Other accruals	42,567,593.50		71,591.76	34,758.97
		42,700,909.50	84,747.22	929,899.69
C. Liabilities				
1. Trade liabilities		84,747.22	84,747.22	27,241.61
2. Accounts due to affiliated companies		71,591.76	71,591.76	34,758.97
3. Other liabilities	566,155.51		566,155.51	929,899.69
- thereof from taxes: € 561,498.11 (prior year: € 924,663.91) -				
- thereof from social security: € 3,137.47 (Vorjahr: € 2,963.98) -				
		722,494.49	722,494.49	991,900.27
		51,552,454.83	44,202,146.45	44,202,146.45

Basics GmbH, Leverkusen
Profit and Loss Account
for the period from April 1, 2015 to March 31, 2016

	€	€	2014/2015 €
1. Sales		27,690,245.18	23,179,900.45
2. Other operating income		1,986,533.54	597,601.02
- thereof from foreign currency valuation: € 0.00 (prior year: € 741.53) -			
3. Cost of materials			
Cost of raw materials, supplies and trading stock		-22,591,249.51	-18,574,517.75
4. Personnel expenses			
a) Wages and salaries	-2,515,479.06		-2,224,153.59
b) Social security	-442,112.17		-417,858.65
- thereof for pensions: € 119,352.38 (prior year: € 100,842.90) -			
		<hr/>	
		-2,957,591.23	
5. Depreciation on intangible and tangible assets		-261,676.41	-746,549.88
6. Other operating expenses		-2,647,310.15	-2,942,540.83
- thereof from foreign currency valuation: € 1,613.21 (prior year: € 8,635.66) -			
7. Income from profit transfer agreement		-58,214.99	927,867.87
8. Other interest and similar expenses		27,256.11	39,702.04
- thereof to affiliated companies: € 800.00 (prior year: € 39,068.05) -			
9. Interest and similar expenses		-40,160.15	0.00
10. Operating result		<hr/>	
		1,147,832.39	-160,549.32
11. Taxes on income		-580,295.30	0.00
12. Other taxes		-3,966.53	0.00
13. Net income		<hr/> <hr/>	<hr/> <hr/>
		563,570.56	-160,549.32

**Basics GmbH,
Leverkusen**

**Notes to the financial statement for the financial year
from April 1, 2015, to March 31, 2016**

I. General

The financial statement as at March 31, 2016, was drawn up in accordance with the provisions of the German Commercial Code (HGB) as contained in the German Accounting Law Modernization Act (BilMoG) that are applicable to medium-sized corporations within the meaning of Article 267, paragraph 2 HGB, in conjunction with the provisions of the German Limited Companies Act (GmbHG).

II. Accounting and valuation principles

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

The following useful lives are applied:

Licenses	5 years
Naming rights	13 - 15 years
Goodwill	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 **accounts receivable**, the **other assets** as well as the **liquid funds** is carried out at nominal value.

The **sundry accruals** allow for any recognizable risks and contingent liabilities at the date the financial statement was drawn up and are reported at the performance amount required by reasonable financial assessment.

The **obligations** are carried as liabilities at the amount payable.

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

III. Notes to financial statement

1. Fixed assets

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

The depreciation of goodwill is effected linearly over a useful life of 15 years taken as a basis in accordance with the fiscal regulations. The estimated useful life of 15 years has been computed in compliance with the rules for making a reasonable assessment of the use and does not conflict with particular circumstances.

The financial assets relate to the 100% share in Ranbaxy GmbH, Leverkusen. The valuation is carried out at purchase prices. The subsidiary shows an annual deficit before profit and loss transfer as at March 1, 2016, to the amount of € 58,214.99 which was transferred to Basics GmbH according to the profit and loss transfer agreement of December 12, 2012.

2. Current assets

The accounts receivable and the other assets are all due within less than one year.

The receivables from affiliated companies relate for the main part to receivables from the subsidiary Ranbaxy GmbH (k€ 812) as well as to receivables from sales and services as well as from cost allocations to Sun Pharmaceuticals Germany GmbH (k€ 483).

3. Sundry accruals

Sundry accruals allow for the following main items:

	k€
Invoices not yet received	42,043
Human resources	506
Financial statement expenses	<u>19</u>
	<u>42,568</u>

The invoices not yet received allow in particular for outstanding settlements in connection with discount agreements made with various health insurance providers (k€ 41,128).

4. Accounts payable

The accounts payable are all due within less than one year.

5. Other financial obligations

As at March 31, 2016, there are other financial obligations from rental and lease agreements to the amount of k€ 588 which become due before February 28, 2021.

IV. Notes to profit and loss account

The profit and loss account has been classified applying the nature of expense method according to Article 275, paragraph 2 HGB.

Significant items of the **other operating income** (k€ 1,987) are the reversal of a provision for expenses in connection with the approval of products (k€ 1,026) as well as transfers of approval, personnel and administrative expenses to associated companies to the amount of k€ 834.

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

	K€
Administrative expenses	1,171
Marketing and distribution expenses	912
Expenses für approval and quality assurance	<u>564</u>
	<u>2,647</u>

The **taxes on income** (k€ 580) include in the main the payment of taxes as a result of the tax examination for the assessment periods from 2010 to 2012 which was completed during the financial year.

V. Other information

1. Staff

The company's staff comprised 34 employees on an annual average.

2. Management

During the financial year under review,

Mr. Venu Madhav, businessman, Leverkusen, Germany (until October 6, 2015)

Mrs. Hellen de Kloet, pharmacist, Bennebroek, Netherlands (from October 6, 2015)

were appointed directors.

The company takes advantage of the option provided by Article 286, paragraph 4 HGB.

3. Appropriation of net income

The Managing Board recommends that the annual net profit of € 563,570.56 should be carried forward to new account.

4. Group affiliation

Basics GmbH is a wholly owned subsidiary of Ranbaxy (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 28, 2016

Basics GmbH,
Leverkusen

Hellen de Kloet

Basics GmbH, Leverkusen

Fixed assets movement schedule for the period April 1, 2015 to March 31, 2016

	Historical costs						Accumulated depreciation				net book value	
	Status on 01/04/2015	Additions	Reclass- fications	Disposals	Status on 31/03/2016	Status on 01/04/2015	Additions	Disposals	Status on 31/03/2016	Status on 31/03/2015	Status on 31/03/2016	Status on 31/03/2015
	€	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets												
1. Licenses, trademarks and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	6,271,675.96	226.00	0.00	0.00	6,271,901.96	4,880,458.91	212,822.63	0.00	5,093,281.54	1,178,620.42	1,391,217.05	
2. Goodwill	5,624,803.29	0.00	0.00	0.00	5,624,803.29	5,593,555.04	31,248.25	0.00	5,624,803.29	0.00	31,248.25	
3. Advance payments	20,157.52	12,342.48	0.00	0.00	32,500.00	0.00	0.00	0.00	0.00	32,500.00	20,157.52	
	11,916,636.77	12,568.48	0.00	0.00	11,929,205.25	10,474,013.95	244,070.88	0.00	10,718,084.83	1,211,120.42	1,442,622.82	
II. Property, plant and equipment												
1. Other assets, plant, machinery and office equipment	229,812.95	7,821.46	3,594.57	2,117.88	239,111.10	175,546.29	17,605.53	2,058.19	191,093.63	48,017.47	54,266.66	
2. Advance payments	21,444.20	0.00	-3,594.57	0.00	17,849.63	0.00	0.00	0.00	0.00	17,849.63	21,444.20	
	251,257.15	7,821.46	0.00	2,117.88	256,960.73	175,546.29	17,605.53	2,058.19	191,093.63	65,867.10	75,710.86	
III. Financial assets												
Shares in affiliated companies	25,000.00	0.00	0.00	0.00	25,000.00	0.00	0.00	0.00	0.00	25,000.00	25,000.00	
	12,192,893.92	20,389.94	0.00	2,117.88	12,211,165.98	10,649,560.24	261,676.41	2,058.19	10,909,178.46	1,301,987.52	1,543,333.68	

**Basics GmbH,
Leverkusen**

**MANAGEMENT REPORT FOR THE FINANCIAL YEAR
FROM APRIL 1, 2015, TO MARCH 31, 2016**

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 fifth largest producer of generics worldwide.

With its portfolio of products, Basics GmbH operates in the German and Austrian health market, the focus being laid on generics for 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, 2015, to March 31, 2016, the total sales of generics amount to almost 7.0 billion euros (source: Insight Health, 2016). That means a sales plus of approx. 4 % compared to the previous period (source: *ibid.*).

In 2015, 77 % of all drugs supplied on behalf of the health insurance providers were generics which concurrently accounted for approx. 10 % of the real costs of pharmaceuticals of the statutory health insurance providers (market data Pro Generika 2015).

On the German pharmaceuticals market, the so-called discount agreements have taken root in the generics segment (generics, former originals whose patent has expired) as a permanent feature. In the period under review from 04/2015 to 03/2016, the share of the generic preparations sold under discount agreements in medical prescriptions was 66 % (source: Insight Health NVI-KT, 2016). With regard to the Act on the Reform of the Market for Medicinal Products (AMNOG), the health insurance companies continue to rely on discount agreements. In 2015 alone, these agreements brought the health insurance companies savings to the amount of 3.61 billion euros which exceed those of the previous year by approx. 460 million euros (Deutsche Apothekerzeitung 03/2016).

The price competition remains intense. In addition, the maintenance of the co-payment exemption option and the additional reduction of the reference amount of individual products - part of which are significant - will continue to produce effects on profitability. In the period under review, the range of products of Basics was not affected by reductions of the reference prices. For two molecules, i.e. Donepezil and Memantin, a reference amount was, however, fixed for the first time.

The top 25 generic drug producers in Germany in the area of prescription drugs can be ranked as follows for the period from 04/2015 to 03/2016 under review:

Rank	Producer	04/2015 - 03/2016 Sales ApU*) (millions of euros)	04/2015 - 03/2016 Growth
1	Hexal	434.7	-3 %
2	ratiopharm	415.4	39 %
3	Zentiva Pharma	387.2	17 %
4	1 A Pharma	373.2	-6 %
5	Aliud	336.8	10 %
6	TAD Pharma	254.3	37 %
7	ABZ Pharma	173.5	-27 %
8	Heumann	170.1	22 %
9	PUREN Pharma	167.1	-13 %
10	Stadapharm	152.3	-38 %
11	Neuraxpharm	149.6	9 %
12	Medac	135.2	8 %
13	Mylan dura	109.3	-5 %
14	Aristo Pharma	107.5	6 %
15	Basics	101.3	18 %
16	betapharm	90.3	47 %
17	Teva	84.0	3 %
18	Heunet	81.8	13 %
19	Meda Pharma	70.5	-3 %
20	Pfizer Pharma	68.9	-4 %
21	Falk	67.7	11 %
22	Glenmark	62.8	109 %
23	Aurobindo	48.7	9 %
24	Jenapharm	46.5	0 %
25	Dexcel	42.8	15 %

*) ApU = Sales price of pharmaceutical companies
Source: InsightHealth NPI 2016

As in the previous years, the German generics market was for the most part dominated by the top 3 groups of companies - Novartis (Hexal/Sandoz/1A), Teva (Teva/Ratiopharm/ABZ) and Stada (Stadapharm/Aliud) - which together had a market share of 47 % (source: Insight Health, 2016). 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 asserted its number 15 position of the best-selling generics companies (source: Insight Health, 2016). As against the same period of the previous year, the gross sales increased by 18 %, thus exceeding 100 million euros. The subsidiary Ranbaxy GmbH climbed from rank 70 in the previous year to rank 46 and reached a growth rate of approx. 81 %.

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 for which we had been awarded the contract. Particular mention is to be made here of the successful increase in discount agreements with Germany's largest consortium inviting tenders on behalf of the AOK companies: During the period from 04/2015 to 03/2016, Basics started with AOK discount agreements for five molecules (Cefaclor, Cefuroxim, Ciprofloxacin, Clarithromycin and Simvastatin).

The subsidiary Ranbaxy GmbH takes part in invitations to bid as a separate bidder. In the period under review, Ranbaxy's discount agreement with AOK on Tamsulosin started.

In the financial year from 04/2015 to 03/2016, Basics GmbH introduced pharmaceuticals for five molecules. These also include various products which are intended to diversify dosage strengths and packaging sizes of existing substances with a view to optimizing competitiveness by complete coverage.

Generics activities in Austria

The activities in connection with proprietary transactions under the trademark Ranbaxy in Austria were discontinued by the end of December 2015 because the cost-benefit ratio was unfavourable. The effects of this decision on the sales are to be qualified as minimal (< 1% of the net sales).

Business relations with Austrian industrial customers continue to exist. For Basics GmbH, these are, however, of minor importance.

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 by 14 % 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 to 27.7 million euros (previous year forecast: 23.4 million euros). The growth in sales was 19 %. The proprietary transactions under the trademark Basics rose by 29 % and therefore could appreciably overcompensate the sharp decline in the supply transactions with industrial customers (-82 % as against the reference value from the previous year).

The increased share of the discount business with low profit margins in the gross performance has, however, led to a slight decrease in the gross yield margin (18.4 % as against 19.9 % in the previous year).

During the financial year, in the course of the merger on parent company level in March 2015, process adjustments and restructuring measures were carried out.

This is on the one hand reflected in a marked increase in the other operating revenue due to the reversal of a provision for expenses in connection with product approvals (1.0 million euros) as well as in higher revenues from transfers within the group of companies.

On the other hand, non-recurrent expenditure for restructuring measures led to a rise in the staff costs by 12 %. As a result of the increase in sales of 11.4 % in the previous year, the personnel cost ratio has, however, slightly decreased and now is 10.7 %. In the new financial year, another decrease in this ratio as a result of the sales growth forecast as well as of the lower staff costs is to be expected.

The other operating expenses show a decrease by 0.3 million euros, which is due to the drop of the expenses for product approvals by about one third as well as savings in the administrative expenses (-12 %). This is offset by an increase in the expenses for logistics and distribution by 17%, which is to be attributed to the expansion of the business volume.

In the course of the depreciations of the goodwill which have expired in April 2015 as well as of one trademark, the expense for depreciations decreased by 0.5 million euros.

After deduction of income taxes, the profit for the year is 0.6 million euros (previous year: a deficit of 0.2 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 for payment and also to collect receivables within the period allowed.

As a result of the regular depreciations, the non-current assets have decreased by 0.2 million euros to 1.3 million euros.

The short-term to medium-term assets have increased by 7.6 million euros as against the previous year and now amounts to 97.5 % of the balance sheet sum (previous year: 96.5 %).

The rise results for the most part from the increase in liquid funds by 11.5 million euros, 5.0 million euros of which stems from the complete repayment of a loan granted to the shareholder.

To ensure ability to supply within the scope of new discount agreements, the inventories were augmented, which has resulted in the stock on hand having increased by 2.1 million euros.

As a result of the expansion of the discount business with the health insurance providers, the sundry accruals have increased by 6.9 million euros compared to the previous year.

Accordingly, the total assets have increased to 51.6 million euros.

The capital structure is good. As a result of the increase in total assets, the equity ratio now is 16 % (previous year: 17 %).

Financial and non-financial performance 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 27.7 million euros and an operating result of 1.2 million euros, an EBIT of 4.4 % of the sales is obtained. The figures budgeted were 23.4 million euros for net sales and an EBIT of 3 %.

The number of employees as a non-financial performance indicator is 36 as at March 31, 2016 (31/03/2015: 34).

Supplementary report

After closing of the annual accounts, there were no events of particular importance that might influence the present financial statements.

Forecast report

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

Accordingly, effects increasing revenues and sales are expected from the start of new discount agreements in 2016 and the ensuing years. Among these effects are both the extension of existing discount partnerships and the conclusion of agreements on additional substances with all large German statutory health insurance funds and the confederations of these funds. As we have already been awarded molecules, the agreement for which will start in the upcoming financial year, further growth is ensured. As an example, in April 2016, non-exclusive discount agreements with the AOK insurance providers will start which Basics GmbH has concluded for another two years for four molecules. Likewise, in mid-2016, discount agreements will start on a multipartite level for eleven molecules with Barmer EK, Germany's second 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. In addition to this, with the agent Imatinib, an oncological compound, Basics is expected to introduce a very high-selling product (top 10) on the market.

The sales projection for the period from April 1, 2016, to March 31, 2017, states 30.0 million euros (actual sales from April 1, 2015, to March 31, 2016: 27.7 million euros) at an EBIT of 3 % of the sales.

Risk report

As a general rule, the discount agreement 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 incurred due to slow-moving inventories. The latter may increase the necessity for carrying out write-downs. To minimize these risks and to ensure continuous supplies of products to meet 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.

Owing to the stability of the 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:

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

Particular stress will be laid on the creation of the business areas: hospital supplies and non-prescription drugs (OTC).

We consider ourselves to be all set 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, the future development is associated with risks due to the highly competitive surroundings in the area of discount agreements in particular, to the rising purchase prices and the stagnating sales price level as a result of permanent legal and regulatory measures.

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

Leverkusen, April 28, 2016

The Director

Hellen de Kloet

In accordance with the final results of our audit of the Annual Financial Statements at March 31, 2016 and the management report of Basics GmbH, Leverkusen, we have issued the following

Auditor's Opinion

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system and the management report of Basics GmbH, Leverkusen, for the business year from April 1, 2015 to March 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, May 17, 2016

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Graf von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

Legal and fiscal situation

Name of company:	Basics GmbH	
Place of registration:	Leverkusen	
Object of the company:	Manufacturing and selling pharmaceutical products	
Commercial Register:	District Court of Cologne - HRB 43673	
Partnership Agreement:	Version dated December 12, 2013	
Capital and shareholder:	Ranbaxy (Netherlands) B.V. (Netherlands)	€ <u>4,875,000.00</u>
Management:	Hellen de Kloet, Bennebroek (Netherlands); from October 6, 2015 Venu Madhav (Germany); until October 6, 2015 The directors were granted the power of sole representation. They are 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 23, 2015; the following resolutions were passed: 1. The annual financial statements of Basics GmbH as at March 31, 2015 are adopted. 2. The loss for the year 2014/2015 amounting to € 160,549.32 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 2010 to 2012 and was completed in the 2015/2016 financial year.	

General Engagement Terms

for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages 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 without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
- b) examination of tax assessments in relation to the taxes mentioned in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
- e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

- a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
- b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
- c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.