TRANSLATION - AUDIT REPORT

Financial statements as of December 31, 2013 and management report

Basics GmbH
Leverkusen, Germany

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KPMG AG Wirtschaftsprüfungsgesellschaft

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Appendices

1 Audit engagement

At the annual shareholders' meeting held on June 4, 2013 of

Basics GmbH, Leverkusen, Germany,
– hereinafter also referred to as "the Company" –

we were appointed as auditors of the financial statements for the 2013 financial year. Accordingly, the management has engaged us to audit the financial statements for the year ended December 31, 2013, together with the accounting records and the management report.

This audit report has been prepared in accordance with the principles of Audit Standard 450 promulgated by the German Institute of Public Auditors [IDW].

We confirm that we have conducted our audit in compliance with the applicable independence regulations in accordance with Section 321 (4a) of the German Commercial Code [HGB].

The terms governing this engagement are set out in the General Terms and Conditions of Engagement for Auditors and Auditing Firms (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) as amended on January 1, 2002, which are attached to this report as Appendix 4. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1(2) and 9 of the General Engagement Terms.

2 Evaluation of the management's assessment of the Company's position

2.1 Economic position and trend of business

Concerning the key statements on the Company's economic position and the trend of business operations made by management in the management report, we would like to comment as follows:

Sales revenue fell during the 2013 financial year to EUR 21.6 million.

During 2013, sales revenue fell by EUR 0.8 million to EUR 21.6 million (-3.6 %). The Company realizes the majority of its sales in Germany. These sales are significantly influenced by rebate contracts with health insurance companies. Gross sales before rebates improved substantially (+22 %) during the year under report. Due to severe price competition in the generics market and new rebate contracts with health insurance companies, the rebates granted during the year under report were higher than they had been the previous year. Business with industry customers was considerably lower as well. All things considered, these factors led to a decrease in sales during the 2013 financial year.

Gross profit margin increased from 26 % to 27 %.

The Company's gross profit is essentially dependent upon the rebates concluded with the statutory health insurance companies and the terms of procurement applicable to third-party and group suppliers. All in all, the share of low-margin rebate business relative to total output increased during the year under report. The gross profit margin increased only marginally as a result.

Due in large part to an increase in trade receivables, short- and medium-term assets rose by EUR 3.1 million in 2013.

Liquid funds fell by EUR 7.9 million in 2013. This owed particularly to the award of two loans for a total amount of EUR 7.0 million to shareholder Ranbaxy (Netherlands) B.V.

In addition, compared to the previous year there was a strong increase in trade receivables in the amount of EUR 3.5 million as a result of changed conditions of payment with pharmaceuticals wholesalers.

Because of billing arrangements in place with the health insurance companies, settlement of the extensive rebates granted to health insurance companies is proceeding with considerable delay. As of the balance sheet date, this delay led to a marked increase in provisions for outstanding invoices, which rose by EUR 2.8 million to EUR 20.2 million.

2.2 Significant opportunities and risks of future development

We would like to comment as follows regarding the significant opportunities and risks of future development in the management report prepared by management:

Support of future sales revenue through expansion of cooperation with the health insurance company AOK.

As of the end of the 2013 financial year, AOK had accepted the Company's tender for three new molecules. Furthermore, the tender for oflaxacin was successfully extended. It was already possible to secure a significant share of the current sales level in this way. Management is pursuing further expansion of the cooperation.

Synergy effects in logistics through transfer of the functional area to an affiliated company.

During the 2013 financial year, the Company transferred the functional area of logistics to an affiliated company, Daiichi Sankyo. This transfer has already yielded the Company significant savings that will continue in the years to come.

The Company is taking specific measures to obviate risks arising from rebate contracts.

In the event of delivery bottlenecks, the Company faces penalty payments under rebate contracts with health insurance companies. The Company's management responds to this risk through continuous and needs-based supply of products to prevent delivery bottlenecks.

By reorganizing and optimizing the procurement system, the Company counteracts the risk of excess stocks requiring higher write-downs.

The Company expects positive business performance in each of the two financial years to come.

An important factor for the future will be the Company's ability to be successful in bidding procedures organized by health insurance companies. For this purpose, management observes the market to familiarize itself with relevant tender requests and builds up networks with health insurance companies for purposes of future relations.

2.3 Summary of findings

As a result of our audit we found that the management report presents fairly, in all material respects, the position of the Company and accurately presents the opportunities and risks of future development.

Please refer to Appendices 2 and 3 for the Company's business profile and legal status.

3 Performance of the Audit

3.1 Subject of the audit

We have audited the financial statements of Basics GmbH, Leverkusen, Germany, including the accounting records and management report, for the financial year ended December 31, 2013. The management of the Company is responsible for

- maintenance of the books and records,
- preparing the financial statements and the management report in accordance with the regulations of German commercial law, and also for
- the explanations and evidence provided to us.

Our responsibility is to express an opinion on these financial statements and the management report based on our audit.

An audit of financial statements only covers compliance with other legal regulations to the extent that these other legal regulations can be expected to have an impact on the financial statements or the management report.

3.2 Nature and scope of audit procedures

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. The objective of our risk-oriented audit approach is to ensure that the statements made in the financial statements and management report of Basics GmbH, Leverkusen, Germany, provide a reliable basis for decisions made by users of these financial statements.

The main features underlying our audit approach are as follows:

Phase I: Development of an audit strategy focused on business risks

Obtaining an understanding of the Company's business as well as knowledge of the accounting systems and the internal control system

Establishing audit focus areas based on our risk assessment:

- Existence and measurement of trading goods
- Identification and measurement of trade receivables
- Completeness of other provisions

Establishing the audit strategy and the timeline for the audit

Selecting the audit team and planning the deployment of specialists

Phase II: Selection and implementation of control-based audit procedures

Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems

Assessment of the design and effectiveness of selected accounting-related controls

Phase III: Tests of details and analytical review of items in the financial statements

Performance of analytical reviews of items in the financial statements

Tests of details on a sample basis and assessment of individual items with a view to the accounting options and judgments exercised, e.g.

- Obtaining confirmations from lawyers and credit institutions
- Obtaining confirmations from customers and suppliers on the basis of a random/intentional selection

Review of disclosures in the notes and assessment of the management report

Phase IV: Overall assessment of audit results and reporting
Formation of the audit opinion on the basis of the overall assessment of audit results
Reporting in the audit report and the auditor's report
Detailed oral presentation of audit results to the management

We performed our audit (with interruptions) in the months of January through March 2014, concluding on March 21, 2014.

All explanations and evidence requested by us were provided. The management confirmed in writing that the accounting records, financial statements and management report are complete.

4 Findings concerning accounting records and financial reporting

4.1 Accounting records and related documents

The Company's accounting records have been properly kept and maintained. The accounting records and related documents are properly authorized, sufficiently explained and filed in an orderly manner. Based on our findings, the accounting records and related documents comply with German statutory requirements.

Based on our audit, we found that the Company's organizational and technical measures taken to ensure security of the accounting-relevant data and IT systems were appropriate.

4.2 Financial statements

The financial statements as of December 31, 2013, presented to us for audit were properly derived from the Company's accounting records and other documents audited. The opening balance sheet figures were properly carried forward from the prior-year financial statements. The statutory regulations concerning recognition, disclosure and valuation were observed.

The balance sheet and the income statement were prepared in accordance with the provisions of German commercial law governing the accounting of limited-liability companies, including generally accepted accounting principles. The notes to the financial statements include all legally required information.

Due to the Company's size, disclosure simplifications according to Section 288 of the German Commercial Code [HGB] were appropriately applied.

Proper use has been made of the protection clause under Section 286 (4) HGB.

4.3 Management report

The management report prepared by the management complies with statutory regulations. The management report is consistent with the financial statements and our audit findings. It presents fairly, in all material respects, the position of the Company. As a result of our audit, we conclude that the management report suitably presents the main opportunities and risks of future development and that the disclosures pursuant to Section 289 (2) HGB are complete and accurate.

5 Opinion on the Overall Presentation of the Financial Statements

5.1 Explanatory notes concerning the overall presentation

The general accounting policies are described in the notes to the financial statements (see Appendix 1). They have been applied largely consistently with the prior year.

The exercise of accounting and valuation options as well as accounting judgments for the following financial statement items has a material effect on the Company's net assets, financial position and results of operations:

Purchased concessions, industrial rights and similar assets, and licenses in such rights and assets, relate mainly to licenses for drugs sold and the right to use the trade name "Basics." The license acquired in 2009 for EUR 2.36 million for the product Veratide is amortized over the expected useful live of 13 years, using the straight-line method. Amortization of the right to use the trade name "Basics" is charged on a straight-line basis over a useful life of 15 years.

The goodwill results from the acquisition of all rights, claims and shares of the "Basics" business from Bayer Vital GmbH & Co. KG during the 2000 financial year. Since that date, amortization has been calculated on a straight-line basis over a useful life of 15 years based on the related tax rules. The useful life applied represents an acceptable estimate of useful life.

Write-downs of EUR 740 thousand (previous year: EUR 530 thousand) were made in respect of trading goods to take account of price and obsolescence risks.

Other provisions have been recognized for all discernible risks and contingent liabilities at an amount which is in line with the judgment of a reasonable businessman. Other provisions amounting to EUR 20,177 thousand (prior year: EUR 17,402 thousand) mainly relate to a provision for hospital rebates. The provision includes the estimated rebates that must be granted to contracting parties. Because in some cases contracting parties to whom rebates are granted settle with the Company only once a year, the projected rebates granted must be estimated as of December 31, 2013. The Company based its estimates on the provision for rebates on statistical market data provided by an independent third party.

5.2 Conclusion on the overall presentation of the financial statements

In the financial statements as of December 31, 2013, the Company exercised accounting and valuation options that were by and large consistent with the prior year.

The annual financial statements contain some key areas of discretion, individually detailed in section 5.1 of the report, which are due to the need for estimates and forecasts. Their overall impact on the overall assertion of the financial statements cannot be clearly quantified due to the lack of representative benchmarks. The most significant instances of judgment from the point of view of the overall assertion consist of the provision for rebates that have to be granted to contractual parties in the future.

Based on an overall consideration of the accounting policies described above, we are of the opinion that the financial statements provide a true and fair view of the Company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.

6 Auditor's report

We have issued the following unqualified auditor's report:

"

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, of Basics GmbH, Leverkusen, Germany, for the financial year from January 1 to December 31, 2013. 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 book-keeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [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 expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and 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 the 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 findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Basics GmbH, Leverkusen, Germany, in accordance with German principles of proper accounting. 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.

Düsseldorf, Germany, 21 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dr. Uhde	Körwer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendices

Appendix 1

Financial statements as of December 31, 2013 and management report

Basics GmbH, Leverkusen

Appendix 1

Balance Sheet as of December 31, 2013

A S S E T S

	12/31/2013 €	12/31/2012 €
A. Fixed Assets		
I. Intangible assets		
1. Franchises, trademarks, patents, licences and similar rights	1,826,445.32	2,102,079.59
2. Goodwill	499,971.99	874,950.99
3. Payments in advance	0.00	0.00
	2,326,417.31	2,977,030.58
II. Tangible fixed assets		
Other assets, plant, machinery and office equipment	76,247.84	52,105.06
III. Financial assets		
Shares in affiliated companies	25,000.00	25,000.00
	2,427,665.15	3,054,135.64
B. Current Assets		
I. Inventories		
Finished goods	4,237,580.85	3,578,445.53
	4,237,580.85	3,578,445.53
II. Accounts receivable and other assets		
1. Trade accounts receivable	8,333,588.93	4,867,794.74
2. Accounts due from affiliated companies - thereof from shareholder: € 7,047,766.67 (prior year: € 7,033,766.66) -	7,180,170.03	92,579.67
3. Other current assets	370,155.10	506,778.54
	15,883,914.06	5,467,152.95
III. Cash in hand and at banks	7,738,236.59	15,675,191.20
	27,859,731.50	24,720,789.68
C. Deferred Charges and prepaid Expenses	29,705.52	104,819.49
	30,317,102.17	27,879,744.81

L I A B I L I T I E S   A N D   S H A R E H O L D E R S '   E Q U I T Y

	12/31/2013 €	12/31/2012 €
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. Accumulated surplus (deficit) beginning of the year	-254,676.84	672,898.65
IV. Profit/-Loss for the period	478,497.37	-927,575.49
	7,598,820.53	7,120,323.16
B. Provsions		
1. Tax accrual	0.00	0.00
2. Other accruals	22,088,576.65	19,173,046.90
	22,088,576.65	19,173,046.90
C. Liabilities		
1. Payments received	0.00	0.00
2. Trade liabilities	888.65	76,826.12
3. Accounts due to affiliated companies	30,691.62	1,460,444.38
4. Other liabilities	598,124.72	49,104.25
- thereof from taxes: € 579,259.63 (prior year: € 586,753.86) -		
- thereof from social security: € 2,959.90 (prior year: € 8,473.30) -		
	629,704.99	1,586,374.75
	30,317,102.17	27,879,744.81

Basics GmbH, Leverkusen

Balance Sheet as of December 31, 2013

A S S E T S

	12/31/2013 INR	12/31/2012 INR
A. Fixed Assets		
I. Intangible assets		
1. Franchises, trademarks, patents, licences and similar rights	154,783,501.69	152,324,607.97
2. Goodwill	42,370,507.63	63,402,245.65
3. Payments in advance	0.00	0.00
	197,154,009.32	215,726,853.62
II. Tangible fixed assets		
Other assets, plant, machinery and office equipment	6,461,681.36	3,775,728.99
III. Financial assets		
Shares in affiliated companies	2,118,644.07	1,811,594.20
	205,734,334.75	221,314,176.81
B. Current Assets		
I. Inventories		
Finished goods	359,117,021.19	259,307,647.10
	359,117,021.19	259,307,647.10
II. Accounts receivable and other assets		
1. Trade accounts receivable	706,236,350.00	352,738,749.28
2. Accounts due from affiliated companies - thereof from shareholder: INR 577,685,793 (prior year: INR 509,693,236)	608,488,985.59	6,708,671.74
3. Other current assets	31,369,076.27	36,723,082.61
	1,346,094,411.86	396,170,503.62
III. Cash in hand and at banks	655,782,761.86	1,135,883,420.29
	2,360,994,194.92	1,791,361,571.01
C. Deferred Charges and prepaid Expenses	2,517,416.95	7,595,615.22
	2,569,245,946.61	2,020,271,363.04

L I A B I L I T I E S A N D S H A R E H O L D E R S ' E Q U I T Y

	12/31/2013 INR	12/31/2012 INR
A. Shareholders' Equity		
I. Capital subscribed	413,135,593.22	353,260,869.57
II. Capital reserve	211,864,406.78	181,159,420.29
III. Accumulated surplus (deficit) beginning of the year	-21,582,783.05	48,760,771.74
IV. Profit/-Loss for the period	40,550,624.58	-67,215,615.22
	643,967,841.53	515,965,446.38
B. Provsions		
1. Tax accrual	0.00	0.00
2. Other accruals	1,871,913,275.42	1,389,351,224.64
	1,871,913,275.42	1,389,351,224.64
C. Liabilities		
1. Payments received	0.00	0.00
2. Trade liabilities	75,309.32	5,567,110.14
3. Accounts due to affiliated companies	2,600,984.75	105,829,302.90
4. Other liabilities	50,688,535.59	3,558,278.99
- thereof from taxes: INR 47,480,246 (prior year: INR 42,518,406)		
- thereof from social security: INR 242,615 (prior year: INR 614,007) -		
	53,364,829.66	114,954,692.03
	2,569,245,946.61	2,020,271,363.04

Appendix 2

Basics GmbH, Leverkusen

Profit and Loss Account for the period from January 1, 2013 to December 31, 2013

	January 1 to December 31, 2013 €	January 1 to December 31, 2012 €
1. Sales	21,596,270.77	22,397,290.88
2. Other operating income	1,503,392.51	1,795,440.90
3. Cost of materials		
Cost of raw materials, supplies and trading stock	-15,825,265.75	-16,650,451.89
4. Personnel expenses		
a) Wages and salaries	-2,154,615.37	-2,127,651.83
b) Social Security	-417,437.85	-376,330.67
- thereof for pensions: € 11,839.52 (prior year: € 92,790.76) -		
5. Depreciation on intangible and tangible assets	-752,686.26	-737,418.30
6. Other operating expenses	-3,519,217.02	-5,228,962.84
7. Expense (2013: income) from profit transfer agreement	5,674.96	0.00
8. Other interest and similar income	42,417.99	10,797.61
- thereof from afiliated companies: € 14,000.01 (prior year: € 42,069.44) -		
9. Interest and similar expenses	0.00	-2,345.64
10. Operating result	478,533.98	-919,631.78
11. Taxes on income	-36.61	100.05
12. Other taxes	0.00	-8,043.76
13. Net income / -Net loss	478,497.37	-927,575.49

Appendix 2

Basics GmbH, Leverkusen

Profit and Loss Account for the period from January 1, 2013 to December 31, 2013

	January 1 to December 31, 2013 INR	January 1 to December 31, 2012 INR
1. Sales	1,674,129,517.05	1,534,061,019.18
2. Other operating income	116,542,055.04	122,975,404.11
3. Cost of materials		
Cost of raw materials, supplies and trading stock	-1,226,764,786.82	-1,140,441,910.27
4. Personnel expenses		
a) Wages and salaries	-167,024,447.29	-145,729,577.40
b) Social Security	-32,359,523.26	-25,776,073.29
- thereof for pensions: INR 939,645 (prior year: INR 6,355,546) -		
5. Depreciation on intangible and tangible assets	-58,347,772.09	-50,508,102.74
6. Other operating expenses	-272,807,520.93	-358,148,139.73
7. Expense (2013: income) from profit transfer agreement	439,919.38	0.00
8. Other interest and similar income	3,288,216.28	739,562.33
- thereof from afiliated companies: INR 1,111,111 (prior year: INR 2,881,469)		
9. Interest and similar expenses	0.00	-160,660.27
10. Operating result	37,095,657.36	-62,988,478.08
11. Taxes on income	-2,837.98	100.05
12. Other taxes	0.00	-623,547.29
13. Net income / -Net loss	37,092,819.38	-63,611,925.32

Basics GmbH, Leverkusen **Appendix 1**

Balance Sheet as of March 31, 2014

A S S E T S

	3/31/2014 €		3/31/2014 INR	
A. Fixed Assets				
I. Intangible assets				
1. Franchises, trademarks, patents, licences and similar rights	1,739,036.82		142,544,001.64	
2. Goodwill	406,227.24		33,297,314.75	
3. Payments in advance	0.00		0.00	
		2,145,264.06		175,841,316.39
II. Tangible fixed assets				
Other assets, plant, machinery and office equipment		71,237.47		5,839,136.89
III. Financial assets				
Shares in affiliated companies		25,000.00		2,049,180.33
		2,241,501.53		183,729,633.61
B. Current Assets				
I. Inventories				
Finished goods	4,177,644.00		342,429,836.07	
		4,177,644.00		342,429,836.07
II. Accounts receivable and other assets				
1. Trade accounts receivable	10,171,319.93		833,714,748.36	
2. Accounts due from affiliated companies	7,238,588.83		593,326,953.28	
- thereof from shareholder: € 7,047,766.67 (prior year: € 7,033,766.66) -				
3. Other current assets	79,702.51		6,532,992.62	
		17,489,611.27		1,433,574,694.26
III. Cash in hand and at banks		6,619,626.51		542,592,336.89
		28,286,881.78		2,318,596,867.21
C. Deferred Charges and prepaid Expenses		144,502.55		11,844,471.31
		30,672,885.86		2,514,170,972.13

L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y

	3/31/2014 €		3/31/2014 €	
A. Shareholders' Equity				
I. Capital subscribed		4,875,000.00		399,590,163.93
II. Capital reserve		2,500,000.00		204,918,032.79
III. Accumulated surplus (deficit) beginning of the year		223,820.53		18,345,945.08
IV. Profit/-Loss for the period		127,209.07		10,426,972.95
		7,726,029.60		633,281,114.75
B. Provsions				
1. Tax accrual	0.00		0.00	
2. Other accruals	21,591,887.40		1,769,826,836.07	
		21,591,887.40		1,769,826,836.07
C. Liabilities				
1. Payments received	0.00		0.00	
2. Trade liabilities	70,969.87		5,817,202.46	
3. Accounts due to affiliated companies	692,957.35		56,799,782.79	
4. Other liabilities	591,041.64		48,446,036.07	
- thereof from taxes: € 579,259.63 (prior year: € 586,753.86) -				
- thereof from social security: € 2,959.90 (prior year: € 8,473.30) -				
		1,354,968.86		111,063,021.31
		30,672,885.86		2,514,170,972.13

Basics GmbH, Leverkusen

Profit and Loss Account for the period from January 1, 2013 to March 31, 2014

	January 1 to March 31, 2014		January 1 to March 31, 2014	
	€		INR	
1. Sales		5,467,719.47		433,945,989.68
2. Other operating income		211,328.94		16,772,138.10
3. Cost of materials				
Cost of raw materials, supplies and trading stock		-4,105,932.46		-325,867,655.56
4. Personnel expenses				
a) Wages and salaries	-519,090.07		-41,197,624.60	
b) Social Security	-82,523.66		-6,549,496.83	
- thereof for pensions: € 11,839.52 (prior year: € 92,790.76) -				
		-601,613.73		-47,747,121.43
5. Depreciation on intangible and tangible assets		-187,467.82		-14,878,398.41
6. Other operating expenses		-661,737.26		-52,518,830.16
7. Expense (2013: income) from profit transfer agreement		-8,970.44		-711,939.68
8. Other interest and similar income		14,000.01		1,111,111.90
- thereof from afiliated companies: € 14,000.01 (prior year: € 42,069.44) -				
9. Interest and similar expenses		-117.64		-9,336.51
10. Operating result		127,209.07		10,095,957.94
11. Taxes on income		0.00		0.00
12. Other taxes		0.00		0.00
13. Net income / -Net loss		127,209.07		10,095,957.94

Basics GmbH,
Leverkusen, Germany

Notes to the financial statements for the financial year from January 1 to December 31, 2013

I. General

The financial statements as of December 31, 2013 were prepared in accordance with the rules in the German Commercial Code [HGB] applicable to medium-sized companies as defined in Section 267 (2) *HGB*, based on BilMoG [the German Accounting Law Modernization Act] in conjunction with the rules of the German Limited-Liability Companies Act [GmbHG]. The income statement was prepared using the total-cost method.

II. Accounting and valuation principles

Intangible assets and **property, plant and equipment** are measured at the lower of acquisition cost, less scheduled amortization/depreciation calculated on a straight-line basis, or fair value.

The following useful lives are applied:

Licenses	5 years
Rights to use a trade name	13-15 years
Goodwill	15 years
Operating and office equipment	3-10 years

Financial assets are measured at acquisition cost.

Inventories are measured at the lower of acquisition cost or fair value to be attributed at the balance sheet date, taking into account the lower of cost or market principle.

Trade receivables, other assets and **cash and cash equivalents** are measured at nominal value.

Other provisions take into consideration all discernible risks and contingent liabilities as of the date on which the financial statements were drawn up. Long-term provisions are discounted.

Liabilities are stated at their repayment amount.

Foreign-currency receivables and payables are measured at the mid-rate of exchange as of the balance sheet date, in accordance with Section 256a *HGB*.

III. Notes on the balance sheet

1. Fixed assets

The trend in individual fixed assets items is shown in the assets analysis attached as an appendix to the notes.

Goodwill is amortized on a straight-line basis over a useful life of 15 years based on the related tax rules. The useful life of 15 years represents an acceptable estimate of useful life and does not conflict with any special circumstances.

Financial assets comprise 100% of the shares in Ranbaxy GmbH, Leverkusen, Germany. They are measured at acquisition cost. The subsidiary's equity was EUR 24 thousand as of December 31, 2012. For the 2013 financial year, it presents a net income before profit or loss transfer of EUR 5,674.96 (INR 439,919); this amount was transferred to Basics GmbH in compliance with the profit and loss transfer agreement of December 12, 2012.

2. Current assets

All receivables and other assets are due within less than one year.

3. Other provisions

Material items included in other provisions are:

	KEUR
Outstanding invoices	21,783
Human-resources area	278
Cost of annual financial statements	28
	22,089

	INR(in K)
Outstanding invoices	1,846,016.95
Human-resources area	23,559.32
Cost of annual financial statements	2,372.88
	1,871,949.15

Outstanding invoices are particularly related to amounts not yet charged with respect to rebate contracts with various health insurance companies (EUR 20,177 thousand)/ (INR1,709,915 thousand) and expenses incurred in connection with product licenses (EUR 928 thousand)/ (INR 71,938 thousand).

4. Liabilities

As in the previous year, other liabilities have a remaining term of less than one year.

5. Other financial liabilities

Other financial commitments arising from rental and leasing agreements amount to EUR 163 thousand/ (INR 13,814 thousand as of December 31, 2013, and are due within one year.

IV. Comments on the income statement

The income statement has been classified according to Section 275 (2) *HGB* based on the total-cost method.

Other operating income (EUR 1,503 thousand)/ (INR 116,512 thousand) materially consists of charge-on of licensing and personnel costs to Group companies amounting to EUR 621 thousand/INR 48,140 thousand , income from third-party damages compensation (EUR 487 thousand)/ (INR 37,752 thousand) and income resulting from the licensing-out of products (EUR 320 thousand)/ (INR24,806 thousand).

Other operating expenses break down as follows:

	KEUR
Administrative expenses	1,751
Marketing and sales expenses	936
Expenses for new licensing and quality assurance	832
	3,519

	INR(in K)
Administrative expenses	135,736
Marketing and sales expenses	72,558
Expenses for new licensing and quality assurance	64,496
	272,791

V. Other disclosures

1. Personnel

The average number of persons employed by the Company during the year was 37.

2. Management

During the financial year, the Company's managing director was:

Dr. Heike Streu, pharmacist, Leverkusen, Germany (through June 30, 2013),
Neeraj Sharma, graduate in business administration, London, Great Britain (beginning June 4, 2013).
The Company applies the simplifications available to it under Section 286 (4) *HGB*.

3. Group affiliation

Basics GmbH is a 100% subsidiary of Ranbaxy (Netherlands) B.V., Amsterdam, Netherlands, and is included in the consolidated financial statements of Ranbaxy Laboratories Limited and in the consolidated financial statements of Daiichi Sankyo Co. Ltd., Tokyo, Japan.
The consolidated financial statements of Ranbaxy Laboratories Limited can be consulted at http://www.ranbaxy.com/investor-relations/financial-information/annual-report.
The consolidated financial statements of Daiichi Sankyo Co. Ltd. are available at http://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html.

Leverkusen, Germany, March 21, 2014

Basics GmbH,
Leverkusen, Germany

Neeraj Sharma

Basics GmbH, Leverkusen, Germany

Statement of fixed assets movements during the financial year 2013

	At cost			
	1/1/2013	Additions	Disposals	31/12/2013
	EUR	EUR	EUR	EUR
I. Intangible assets				
1. Licenses, trademarks and similar rights as well as licenses to such rights and assets acquired for a consideration	6,217,824.74	71,333.00	0.00	6,289,157.74
2. Goodwill	5,624,803.29	0.00	0.00	5,624,803.29
	11,842,628.03	71,333.00	0.00	11,913,961.03
II. Property, plant and equipment				
Operating and office equipment	227,866.48	54,882.77	1,447.06	281,302.19
III. Financial assets				
Shares in affiliated companies	25,000.00	0.00	0.00	25,000.00
	12,095,494.51	126,215.77	1,447.06	12,220,263.22

	At cost			
	1/1/2013	Additions	Disposals	31/12/2013
	INR	INR	INR	INR
II. Intangible assets				
1. Licenses, trademarks and similar rights as well as licenses to such rights and assets acquired for a consideration	449,804,457	83,175,012	0.00	532,979,470
2. Goodwill	406,904,616	69,773,629	0.00	476,678,245
	856,709,074	152,948,641	0.00	1,009,657,715
II. Property, plant and equipment				
Operating and office equipment	16,484,118	7,242,875	112,175	23,614,818
III. Financial assets				
Shares in affiliated companies	1,937,985	0.00	0.00	1,937,985
	875,131,177	160,191,516	112,175	1,035,210,518

Accumulated amortization, depreciation and write-downs				Book values	
41,275	Additions	Disposals	31/12/2013	31/12/2013	31/12/2012
EUR	EUR	EUR	EUR	EUR	EUR
4,115,745	346,967	-	4,462,712	1,826,445	2,102,080
4,749,852	374,979	-	5,124,831	499,972	874,951
8,865,597	721,946	-	9,587,544	2,326,417	2,977,031
175,761	30,740	1,447	205,054	76,248	52,105
-	-	-	-	25,000	25,000
9,041,359	752,686	1,447	9,792,598	2,427,665	3,054,136

Accumulated amortization, depreciation and write-downs				Book values	
41,275	Additions	Disposals	31/12/2013	31/12/2013	31/12/2012
INR	INR	INR	INR	INR	INR
297,737,648	80,458,320	-	378,195,968	154,783,502	152,066,809
343,609,675	90,698,063	-	434,307,737	423,705,072	63,294,941
641.347.322	171.156.383	-	812.503.705	578.488.574	215.361.750
12,714,779	4,774,883	112,175	17,377,487	6,237,331	3,769,338
-	-	-	-	1,937,985	1,937,985
654.062.102	175.931.266	112.175	829.881.192	586.663.890	221.069.073

Basics GmbH,
Leverkusen, Germany

Notes to the financial statements for the short financial year from January 1 to March 31, 2014

I. General

The financial statements as of March 31, 2014 were prepared in accordance with the rules applicable to medium-sized companies as defined in Section 267 (2) of the German Commercial Code [HGB] in the version based on BilMoG (German Accounting Law Modernization Act) in conjunction with the rules of the German Limited-Liability Companies Act [GmbHG]. The income statement was prepared using the total-cost method.

The Company has inserted a short financial year covering the period from January 1 to March 31, 2014. Consequently, the figures discussed here are comparable with the previous year's figures only up to a point.

II. Accounting and valuation principles

Intangible assets and **property, plant and equipment** are measured at the lower of acquisition cost, less scheduled amortization/depreciation calculated on a straight-line basis, or fair value.

The following useful lives are applied:

Licenses	5 years
Rights to use a trade name	13 - 15 years
Goodwill	15 years
Operating and office equipment	3 - 10 years

Inventories are measured at the lower of acquisition cost or fair value to be attributed at the balance sheet date, taking into account the lower of cost or market principle.

Trade receivables, other assets and **cash and cash equivalents** are measured at nominal value.

Other provisions take into consideration all discernible risks and contingent liabilities as of the date on which the financial statements were drawn up. Long-term provisions are discounted.

Liabilities are stated at their repayment amount.

Foreign currency receivables and payables are measured at the mid-rate of exchange as of the balance sheet date.

III. Notes on the balance sheet

1. Fixed assets

The trend in individual fixed assets items is shown in the assets analysis attached as an appendix to the notes.

Goodwill is amortized on a straight-line basis over a useful life of 15 years based on the related tax rules. The useful life of 15 years represents an acceptable estimate of useful life and does not conflict with any special circumstances.

Financial assets comprise 100% of the shares in Ranbaxy GmbH, of Leverkusen, Germany. They are measured at acquisition cost. The subsidiary's equity was EUR 24 thousand/ INR 1,860 thousand as of March 31, 2014. For the short financial year from January 1 to March 31, 2014, it presents a net loss before profit or loss transfer of EUR 8,970.44/ INR 695,383; this was transferred to Basics GmbH in compliance with the profit and loss transfer agreement of December 12, 2012.

2. Current assets

All receivables and other assets are due within less than one year.

3. Other provisions

Material items included in other provisions are:

	KEUR
Outstanding invoices	21,185
Human-resources area	342
Cost of annual financial statements	65
	21,592

	INR (in K)
Outstanding invoices	1,795,339
Human-resources area	28,983
Cost of annual financial statements	5,509
	1,829,831

Outstanding invoices are particularly related to amounts not yet charged with respect to rebate contracts with various health insurance companies (KEUR 19,842)/ (INR 1,538,140K) and expenses incurred in connection with product licenses (KEUR 915)/ (INR 70,930 K).

4. Liabilities

All liabilities have a remaining term of less than one year.

5. Other financial liabilities

Other financial commitments arising from rental and leasing agreements amount to KEUR 175/ (INR 14,830 K) as of March 31, 2014, and are due within one year.

IV. Comments on the income statement

The income statement has been classified according to Section 275 (2) *HGB* based on the total-cost method.

Other operating income (KEUR 211)/ (INR 16,357 K) materially consists of the charge-on of licensing and personnel costs to Group companies amounting to KEUR 158/(INR 12,248 K) and income resulting from licensing out products (KEUR 33)/(INR 2,558K).

Other operating expenses break down as follows:

	KEUR
Administrative expenses	372
Marketing and sales expenses	198
Expenses for new licensing and quality assurance	92
	662

	INR (in K)
Administrative expenses	28,837
Marketing and sales expenses	15,349
Expenses for new licensing and quality assurance	7,132
	51,318

Other disclosures

1. Personnel

The average number of persons employed by the Company during the year was 37.

2. Management

During the financial year, the Company's managing director was:

Neeraj Sharma, London, Great Britain

The Company applies the simplifications available to it under Section 286 (4) *HGB*.

3. Group affiliation

Basics GmbH is a 100% subsidiary of Ranbaxy (Netherlands) B.V., Amsterdam, The Netherlands, and is included in the consolidated financial statements of Ranbaxy Laboratories Limited and in the consolidated financial statements of Daiichi Sankyo Co. Ltd., Tokyo, Japan.

The consolidated financial statements of Ranbaxy Laboratories Limited can be viewed at http://www.ranbaxy.com/investor-relations/financial-information/annual-report.

The consolidated financial statements of Daiichi Sankyo Co. Ltd. are available at http://www.daiichisankyo.com/media_investors/investor_relations/annual_reports/index.html.

Leverkusen, Germany, April 25, 2014

Basics GmbH,
Leverkusen, Germany

Neeraj Sharma

Basics GmbH,
Leverkusen

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2013

Company's business profile

Basics GmbH is mainly engaged in the sale of generics of the Indian Ranbaxy Group. Via Ranbaxy Group, the Company belongs to the Japanese Daiichi Sankyo Group.

With its product portfolio the Company operates in the German, Austrian and Swiss healthcare market, focusing on generic products in the pharmaceutical market. The Company's principal customers are wholesalers and pharmacies.

Financial report

General conditions and trend of business operations

The market for generics in Germany

With revenue of nearly EUR 6.5 billion/ INR 504 billion, in 2013 the market for generics grew by a full 7% compared to the previous year (source: Insight Health, 2013). Sales growth exceeds 7% as well, with nearly 0.9 billion units sold. Generics account for approx. 23% of the entire pharmaceuticals market if measured in terms of revenue, and for approx. 54% in terms of sales. In both areas, there is growth to report compared to the year 2012..

In Germany generics cover more than 73% of the entire demand for medicines by statutory health insurance companies (GKV) (source: Pro Generika, 2013).

Arrangements known as "rebate contracts" have bedome firmly established in the generic-capable segment (generics, former originals with expired patents) of the German pharmaceutical market. During the 2013 financial year, the market share of generic medicines covered by rebate contracts is 60.35% (source: Insight Health NVI-KT, 2013). In light of the law on the restructuring of the pharmaceutical market (AMNOG), health insurance companies still rely on rebate contracts. These agreements yielded EUR 2.07 billion/INR 160 billion in savings for health insurers during the first three quarters of 2013 alone (Deutsche Apothekerzeitung 2013).

The price competition continues to be severe. Furthermore, the continued possibility of exemption from additional payments as well as the further reduction of the fixed-price component of individual, partially significant, products will continue to affect the profitability of Basics' products. The first specification of a fixed amount for the active ingredient olanzapine, on January 1, 2013, also had an effect on the Basics product range.

In addition, the 13th Amendment Act to Title V of the German Social Security Code [SGB] included a seamless continuation of the price moratorium enacted under Section 130a (3a) of SGB V. The announcement to this effect, which was published in the Federal Law Gazette [Bundesgesetzblatt] on December 30, 2013, went into effect on January 1, 2014. Under the new legislation, if drug manufacturers increase prices beyond the price level in effect on August 1, 2009, they must provide a discount of the same amount to statutory insurance companies; this makes price increases unprofitable. At the same time, this arrangement makes it difficult for drug manufacturers to respond to changes in market, wage or production conditions.

The top 25 manufacturers of generic prescription medicines in Germany for the year 2013 are set out in the table below:

Ranking	Manufacturer	2013 Sales ApU*) (in € mn)	2013 Sales ApU*) (in INR mn)	2013 Growth (in %)
1	Hexal	707.9	56,182.54	3%
2	Ratiopharm	631.5	50,119.05	-9%
3	1 A Pharma	467.3	37,087.30	1%
4	Teva	450.3	35,738.10	8%
5	Aliud	370.9	29,436.51	6%
6	Winthrop	362.4	28,761.90	12%
7	Stadapharm	298.1	23,658.73	29%
8	ABZ Pharma	246.4	19,555.56	11%
9	Actavis	208.8	16,571.43	48%
10	TAD	145.8	11,571.43	28%
11	Mylan dura	139.9	11,103.17	45%
12	Medac	128.7	10,214.29	4%
13	Betapharm	115.4	9,158.73	-39%
14	Heumann	114.2	9,063.49	28%
15	Neuraxpharm	108.7	8,626.98	27%
16	Aristo Pharma	97.6	7,746.03	58%
17	Heunet	91.6	7,269.84	112%
18	Stada	74.2	5,888.89	7%
19	Falk	72.6	5,761.90	2%
20	Sandoz	66.7	5,293.65	-15%
21	Basics	54.9	4,357.14	24%
22	Dermapharm	40.8	3,238.10	6%
23	Woerwag	35.6	2,825.40	1%
24	Hennig	34.9	2,769.84	3%
25	cell pharm	34.1	2,706.35	20%

*) ApU = Sales price of the pharmaceutical entrepreneur (Abgabepreis pharmazeutischer Unternehmer)

Source: InsightHealth NPI 2013

As in recent years, in 2013 the German generics market was again mainly determined by the top three groups (in terms of sales), i.e. Novartis (Hexal/Sandoz/1A), Teva (Teva/Ratiopharm/CT/ABZ) and Stada (Stadapharm/Aliud), which when combined accounted for a total market share of 64% of the market relating to the top 25 generic companies (Source: Insight Health, 2013). With a broad and extensive product portfolio and a strategic supply policy, these groups won a large number of rebate-contract tenders with health insurance companies.

In 2013 Basics managed to advance to 21st place (source: ibid.) among the generics companies with the highest sales revenues. This represents an improvement of four ranking positions compared to the previous year. Despite sales that did not begin until the second semester of 2013, the German subsidiary Ranbaxy GmbH, which was newly founded only in November 2012, achieved a ranking spot of 117 among a total of 268 active-selling generics companies (source: ibid.).

During the year 2013 however, Basics managed to win several tender procedures with insurance companies for the years 2014 and 2015 and thus could further enlarge the number of relevant tender successes. Particularly worthy of note in this connection is the success in expanding rebate contracts with Germany's largest tender association, the AOK insurance companies. Basics began the year 2013 with the active ingredient donepezil in seven AOK allotted areas. These were later joined by four molecules with an AOK agreement commencement date of June 1, 2013, and the award of contract for an additional four molecules with an agreement commencement date of April 1, 2014. Also encouraging is the fact that the subsidiary Ranbaxy GmbH was able to achieve nationwide AOK approvals for two molecules.

In the area of introductions, Basics GmbH and Ranbaxy GmbH together registered products for a total of 18 molecules in 2013. These included market introductions upon patent expiration of products with the active-ingredient combination of irbesartan + hydrochlorothiazide, as well as very successful generic products with the active ingredient sildenafil, on which the original product VIAGRA® is based. The market of this lifestyle preparation nearly doubled following the patent expiration (source: Insight Health, 2013), and Basics GmbH was also able to profit from this with its products.

RESULTS OF OPERATIONS

Year-over-year, Basics GmbH was able to expand gross sales revenue in 2013 by 22%. This is primarily the result of the increased number of rebate contracts with health insurance companies.

Overall net sales, on the other hand, were 4% lower, at EUR 21.6 million/INR 1675 million. A major reason for this is the significant decline in volume, compared to the previous year, for the Company's supply business with major customers. Even the 16% increase in the Company's own business during the year under report was not sufficient to fully compensate for this decrease.

Due to the increased share of total output accounted for by the low-margin discount business, gross profit (sales less the cost of materials) improved only marginally. Still, more economical purchase conditions led to a slight improvement in gross profit margin, to 27% (previous year: 26%).

Other operating expenses were significantly lower (-33%) in the year under report. This is particularly the result of a special effect during the previous year, when extensive marketing and sales activities were embarked upon for a strategically important product. Excluding this special effect in 2013, and with additional savings in the logistics area, other operating expenses overall were actually slightly lower than they had been in 2011.

Following a net loss of EUR 0.9 million/INR 70 million in 2012, in the year under report the Company had net income of EUR 0.5 million/INR 39 million. This corresponds to a return on sales of 2.2%.

FINANCIAL POSITION AND NET ASSETS

Long-term assets decreased by EUR 0.6 million/INR 46.51million, to EUR 2.4 million/INR 186 million, due to EUR 0.1 million/ INR 7.75 million in investments in fixed assets less scheduled depreciation.

Short- and medium-term assets were EUR 3.1 million/ INR 240 million higher than the previous year and now total to 92% of the balance sheet total (previous year: 89%).

The increase is chiefly the result of the increase in trade receivables (EUR +3.5 million/ INR 271 million) due to changed payment conditions with pharmaceutical wholesalers; these changed conditions, however, result in an overall improvement in the Company’s result.

The EUR 0.6 million/INR 46 million increase in inventories vis-à-vis 2012 is a consequence of the extension of the inventories for service of increased demand due to rebate contracts with the health insurance companies.

Due to the award of two loans to shareholder Ranbaxy (Netherlands) B.V. with a total amount of EUR 7 million /INR 543 million at prevailing market conditions, receivables from affiliated companies increased as cash and cash equivalents fell.

Due to the higher volume of the discount business in 2013 and, as a result, the higher amounts not yet charged to the health insurance companies, other provisions overall were EUR 2.9 million /INR 225 million higher as of the balance sheet date than they were a year prior.

In 2013, the balance sheet total was EUR 2.4 million/INR 201 million higher, completing the year at EUR 30.3 million/INR 2348 million. This leads to a slight decline in the equity ratio, from 26% to 25%.

Financial and non-financial performance indicators

The number of employees amounts totals to 35 (as of 12/31/2013) and is thus unchanged year-over-year.

As part of an effort to adapt to the market conditions specific to the generics market, which is primarily regulated through rebate contracts, the Company withdrew from telesales activities during the second semester of 2013.

In exchange, there were new hires in individual organizational areas to further improve efficiency.

Subsequent events

After completion of the financial year, there have been no events of special importance having an impact on these financial statements.

Forecast, opportunities and risks

At the end of 2013, Basics GmbH received an approval from AOK for three new molecules for which the contract begins in April 2014. The rebate contract to which overhead was already applied in the previous round of calls for tenders with regard to the active ingredient ofloxacin was successfully extended during the year under report. The fluconazole contract conducted to date under Basics GmbH is now being continued under the subsidiary Ranbaxy GmbH. As a result, some 15% of current sales revenue, and projected market share of up to 30%, are likely for the three relevant molecules into the year 2016.

By the same token, sales- and turnover-enhancing effects are expected due to the launch of additional new rebate contracts in 2014 and the years thereafter: These include rebate partnerships with IKK classic, the KKH Kaufmännische Krankenkasse, the health insurers' umbrella organization spectrumK, and Barmer GEK.

In logistics, synergy effects were achieved in 2013. This functional area, which was originally covered by an external company, was transferred to the logistics center of Group-affiliated partner company Daiichi Sankyo. As a result of the shift, Basics saved considerable amounts already in 2013, and these savings will continue into the years to come.

At 1.91%, Basics direct business with pharmacies expressed as a share of total sales revenue is 0.34 percentage points lower than the previous year, in absolute terms, however, direct business rose by 6.32% during the year under report.

Introductions of 17 molecules are planned for the new financial year currently under way. These include several extensions and supplements to the existing portfolio that will not only enhance competitiveness but also generate positive effects for net profit. Companion to this, a product introduction companion to patent expiration is planned for the active ingredient escitalopram in the therapeutic area of ‘central nervous system’ (CNS).

Generally speaking, though, the rebate contract business in which Basics GmbH is active also harbors certain risks. These risks include the non-trivial contractual penalties incurred in the event of inability to deliver, or the costs of write-downs that can arise for excess stocks of products with a comparatively low sales volume. In the latter case, higher inventory write-downs might become necessary. The procurement system has been further strengthened and restructured in order to minimize these risks while ensuring uninterrupted supply of the products needed.

The Company’s focus and opportunities will remain in:

- adding further qualities, forms of administration or package sizes,
- closer, EU-wide cooperation within Ranbaxy Europe and
- closer cooperation with the affiliated company Daiichi-Sankyo.

A special focus will be on the improvement already under way to improve the structures of the team for tendering operations as well as the technical team.

The trend already observed in 2012, towards regularly increasing wholesale sales in a month-to-month comparison, largely continued in 2013. This trend is also expected to continue in 2014 in light of the rebate contracts already concluded.

The focus on the participation in all important future tenders submitted by health insurance companies has been initiated and will continue in the future. To the extent possible, the focus here will be on generating higher margins. Optimization of the portfolio with an eye toward improved coverage in future tenders is also planned.

The expectations in the second, important business area – i.e. delivery to industrial customers - could not be met during the year under report. In the end, the volumes actually sought by customers were markedly lower than the capacities originally planned. A major risk here is the dependence on only three clients and a few products. Intensified negotiations with current and potential customers with an eye to expanding the business with new products are planned for 2014.

All things considered, management supports a positive outlook for the upcoming two years and expects a positive net result for each year, whereas it is aware that actual results can deviate from expectations. The sales trend will significantly depend on a continuing stable supply environment, a high-performing technical team, expansion in the supply to industrial clients and successful implementation of acquired rebate contracts, as well as acquisition of further rebate contracts with health insurance companies.

Leverkusen, Germany, March 21, 2014
Board of management

Neeraj Sharma

Basics GmbH,
Leverkusen, Germany

MANAGEMENT REPORT FOR THE SHORT FINANCIAL YEAR FROM JANUARY 1 TO MARCH 31, 2014

Company's business profile

Basics GmbH is mainly engaged in the sale of generic pharmaceutical products of the Indian Ranbaxy Group. Via Ranbaxy Group, the Company belongs to the Japanese Daiichi Sankyo Group.

Within the scope of harmonizing Group reporting with the Japanese Parent company, the Articles of Association were amended such that, beginning April 1, 2014, the financial year now runs from April 1 until March 31 of the following year.

With its product portfolio, the Company operates in the German, Austrian and Swiss healthcare market, focusing on generic products in the pharmaceutical market. The Company's principal customers are wholesalers and pharmacies.

Financial report

General conditions and trend of business operations

The market for generics in Germany

Sales of generics totaled to nearly EUR 1.7 billion/INR 135 billion during the first quarter of 2014 (source: Insight Health, 2014). This represents approx. 3% growth in sales over the previous quarter (source: ibid.).

According to a recent study by the IGES Institut in Berlin, in 2013 75% of therapeutic dosages issued at the expense of statutory health insurance (GKV) were generics (source: Pro Generika, figure for the month of February 2014). In 2013, the use of generics brought savings of EUR 12.33 billion/ INR 979 billion to GKV (source: Pro Generika, market data 12/2013).

Arrangements known as "rebate contracts" have become firmly established in the generic-capable segment (generics, former originals with expired patents) of the German pharmaceutical market. During the 2013 financial year, the market share of generic medicines covered by rebate contracts was 59% (source: Insight Health NVI-KT, Q1/2014). In light of the law on the restructuring of the pharmaceutical market (AMNOG), health insurance companies still rely on rebate contracts. These agreements yielded EUR 2.8 billion / INR 222 billion mn savings for health insurers during 2013 alone (*Deutsche Apothekerzeitung* 2014).

Price competition remains severe. Furthermore, the continued possibility of exemption from additional payments as well as the further reduction of the fixed-price component of individual, partially significant, products will continue to affect the profitability of Basics' products. In the period under review, the Basics range was affected by changed reference prices for the active ingredient Amoxiclav (first specification) and for 4 other molecules (reduction).

In addition, the 13th Amendment Act to Title V of the German Social Security Code [SGB] included a seamless continuation of the price moratorium enacted under Section 130a (3a) of SGB V. The announcement to this effect, which was published in the Federal Law Gazette [*Bundesgesetzblatt*] on December 30, 2013, went into effect on January 1, 2014. Under the new legislation, if drug manufacturers increase prices beyond the price level in effect on August 1, 2009, they must provide a discount of the same amount to statutory insurance companies; this makes price increases unprofitable. At the same time, this arrangement makes it difficult for pharmaceuticals manufacturers to respond to changes in market, wage or production conditions.

The top 25 manufacturers of generic prescription medicines in Germany for the first quarter of 2014 are set out in the table below:

Ranking	Manufacturer	Q1/2014 revenue ApU*) (EUR millions)	Q1/2014 revenue ApU*) (INR millions)	Q1/2014 growth (in %)
1	Hexal	191.5	15,198.41	12%
2	ratiopharm	144.4	11,460.32	5%
3	1 A Pharma	114.2	9,063.49	-1%
4	Teva	101.7	8,071.43	-6%
5	Aliud	96.5	7,658.73	0%
6	Winthrop	92.5	7,341.27	4%
7	Stadapharm	76.6	6,079.37	-4%
8	ABZ Pharma	64.8	5,142.86	0%
9	Actavis	58.6	4,650.79	2%
10	Mylan dura	39.1	3,103.17	-9%
11	TAD	39.1	3,103.17	2%
12	Medac	34.1	2,706.35	0%
13	Heumann	32.8	2,603.17	-4%
14	Neuraxpharm	30.7	2,436.51	-1%
15	Aristo Pharma	30.2	2,396.83	6%
16	Stada	25.7	2,039.68	75%
17	Heunet	24.1	1,912.70	-3%
18	betapharm	20.3	1,611.11	-4%
19	Falk	18.0	1,428.57	-4%
20	Sandoz	16.1	1,277.78	10%
21	Basics	16.0	1,269.84	2%
22	Dermapharm	10.1	801.59	9%
23	Aurobindo	9.6	761.90	8%
24	cell pharm	9.3	738.10	7%
25	Hennig	9.0	714.29	-4%

*) ApU = Sales price of pharmaceutical entrepreneurs (German: Abgabepreis pharmazeutischer Unternehmer)

Source: InsightHealth NPI 2014

As in recent years, the German generics market was again mainly dominated by the top three groups – Novartis (Hexal/Sandoz/1A), Teva (Teva/Ratiopharm/ ABZ) and Stada (Stadapharm/Aliud) – which when combined accounted for a total market share of 62% of the market relating to the top 25 generics companies (source: Insight Health, 2014). With a broad and extensive product portfolio and a strategic supply policy, these groups won a large number of rebate-contract tenders with health insurance companies.

As throughout the year 2013, in the first quarter of 2014, Basics ranks 21st among the generics companies with the highest sales revenues (source: Insight Health, 2014). The subsidiary Ranbaxy GmbH managed to ascend to 41st place. Compared with the last quarter of the previous year, this represents sales growth of 11% with sales of EUR 1.1 million /INR million in the quarter (source: ibid.).

During the first quarter of 2014, numerous statutory insurance companies conducted tender procedures for rebate contracts in which Basics GmbH or subsidiary Ranbaxy GmbH took part. Multiple rebate contracts dating back to prior-year tenders with various insurance companies – contracts in which Basics GmbH had received approval – also went into effect during the reporting period. Particularly worthy of note in this connection is the successful expansion of rebate contracts with Germany's largest tender association, the AOK insurance companies. As of the beginning of 2014, there were AOK contracts for a total of 8 active ingredients. These are joined by four more molecules with contracts beginning April 1, 2014. Also encouraging is the fact that the subsidiary Ranbaxy GmbH will begin delivering its second active ingredient under AOK contract.

Basics introduced products for six molecules during the short financial year under report. These include a variety of products intended to extend the range of strengths and package sizes available for active ingredients already in existence. The goal is to improve competitiveness through complete coverage.

RESULTS OF OPERATIONS

The results of operations at Basics GmbH are characterized by growth in business operations.

During the short financial year from January 1 through March 31, 2014, the Company reports net sales revenue of EUR 5.5 million/INR 437 million. The prior-year forecast for this period totaled to EUR 6.4 million/ INR 508 million. The deviation owes particularly to an overly optimistic assumption in the forecast of the quantities of antibiotics, for which demand was lower due to above-average winter temperatures.

Year-over-year, Basics GmbH was able to expand gross sales revenue in the first quarter of 2014 by 22%. This is primarily the result of the increased number of rebate contracts with health insurance companies.

Overall net sales were 6% higher compared with the first quarter of 2013. As a result of the strong fluctuation over time, the Company's supply business with major customers was 32% lower than the comparable figure for the previous year. The 18% increase in the Company's own business during the reporting period was more than sufficient to compensate for this decrease.

Due to the increased share of total output accounted for by the low-margin discount business, the gross profit margin fell slightly to 25% (entire year 2013: 27%).

Expressed as a share of sales, other operating expenses were significantly lower in the period under report (Q1/2014: 12% versus total for 2013: 16%). This is due particularly to process and cost improvements in licensing and to cost savings in the area of marketing.

Following net income in 2013 of KEUR 478/ INR 37,937 K in the year under report the Company had net income of KEUR 127/INR 10,079K . This corresponds to a return on sales of 2.4% (2013: 2.2%).

FINANCIAL POSITION AND NET ASSETS

The Company's financial position can be described as very stable. Financial management consistently endeavors to settle obligations within payment terms and collect amounts due within payment targets.

The Company's net assets are strong.

In light of scheduled depreciation, non-current assets fell by EUR 0.2 million/ INR 16 million to EUR 2.2 million/INR 175 million.

Short- and medium-term assets were EUR 0.5 million higher than the previous year and now total to 93% of the balance sheet total (previous year: 92%).

The increase is chiefly the result of the increase in trade receivables (+ EUR 1.8 million/INR 148 million) in the wake of considerable expansion in gross sales. On the other hand, there is a reporting-date-based decrease of EUR 1.1 million /INR 90 million in cash and cash equivalents.

Other provisions are EUR 0.5 million/INR41 million lower than in the previous year. Despite higher volume in the discount business, several health insurance companies have since optimized their processes with a view to expedited rebate settlement.

The balance sheet total was slightly higher than at the end of 2013 (EUR 30.3 million/INR 2483 million), rising to EUR 30.7 million/INR 2516 million.

The Company's capital structure is solid. The equity ratio is holding steady at 25%.

Financial and non-financial performance indicators

For our internal corporate control, we have reference to the key figures of net sales and operating result (EBITDA), and to EBITDA as a % of sales.

Net sales of EUR 5.468 million/INR 448 million and an operating result of KEUR 122/ INR 10000 K, result in a ratio of EBITDA to sales of 2.2% (2013: 2.0%).

The number of employees is unchanged at 35 (as of March 31, 2014).

Subsequent events

After completion of the short financial year, there have been no events of special importance having an impact on these financial statements.

Outlook

Our view of the projected trend at Basics GmbH is positive. The pharmaceuticals sector offers great growth potential in the area of generics, particularly considering the conclusion of additional rebate contracts, if service, price and quality are strictly guided by customer requirements.

Accordingly, sales- and turnover-enhancing effects are expected due to the launch of additional new rebate contracts in 2014 and the years thereafter. These include rebate partnerships with IKK classic, KKH Kaufmännische Krankenkasse, the health insurers' umbrella organization spectrumK and Barmer GEK.

The introduction of 17 molecules is planned for the new financial year currently under way. These include several extensions and supplements to the existing portfolio that will not only enhance competitiveness but also generate positive effects for net profit. Alongside this, a product introduction companion to patent expiration is planned for the active ingredient escitalopram in the therapeutic area of 'central nervous system' (CNS).

The sales forecast for the 12-month period from April 1, 2014, to March 31, 2015, totals to EUR 23.4 million/ INR 1857 million (calendar year 2013: EUR 21.6 million/INR 1715 million), with a ratio of EBITDA to sales of 3.0%.

Risks

Generally speaking, the rebate-contract business in which Basics GmbH is primarily active also harbors certain risks. These risks include the non-trivial contractual penalties incurred in the event of inability to deliver, or the costs of write-downs that can arise for excess stocks of products with a comparatively low sales volume. In the latter case, higher inventory write-downs might become necessary. The procurement system is continuously strengthened and restructured in order to minimize these risks while ensuring that supply of the products is uninterrupted and covers demand.

To further minimize business risks on the procurement side, where possible, sources of supply are being diversified to a broader area (Europe and Asia).

In the business area of supply to industrial customers, a major risk involves dependency upon just 3 customers and a handful of products. Intensified negotiations with current and potential customers with an eye to expanding the business with new products are planned for 2014.

Given our Company’s stable liquidity and equity situation, there are no liquidity risks discernible at this time. There are no liquidity bottlenecks expected.

There are no substantial currency risks that could influence the Company’s net assets, financial position and results of operations. Deliveries of goods from countries outside the Eurozone are denominated in euros.

Opportunities

The healthcare market is and remains a growth market.

The Company's focus and opportunities are seen in:

- adding further product strengths, forms of administration or package sizes,
- closer cooperation within the Group network and
- development of new business fields

A particular area of emphasis is on development of the business fields of hospital supply and over-the-counter (OTC) drugs.

We are well-equipped for continuous participation in all major future tenders with health insurers. To the greatest extent possible, the focus here will be on generating higher margins. Optimization of the portfolio with an eye toward improved coverage in future tenders is also planned.

Overall presentation

We see risks to future development in the highly competitive business environment in which we operate, particularly in the area of rebate contracts, increasing purchase prices and the stagnant level of sales prices, all of this under the influence of constant legislative regulatory measures.

Leverkusen, Germany, April 25, 2014

Board of Management

Neeraj Sharma