

SUN PHARMACEUTICALS MOROCCO LLC SARLAU

**GENERAL REPORT OF THE
INDEPENDENT AUDITOR**

YEAR ENDED MARCH 31st, 2018

(This is a free translation into English of our audit report signed and issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed solely in accordance with, Moroccan law and Moroccan professional standards).

**To the Shareholder of SUN PHARMACEUTICALS MOROCCO LLC SARLAU
Casablanca**

GENERAL REPORT OF THE INDEPENDENT AUDITOR

Year from April 1st, 2017 to March 31st, 2018

In accordance with our assignment as auditor, we have audited the accompanying financial statements including the balance sheet and the profit and loss account of SUN PHARMACEUTICALS MOROCCO LLC SARLAU for the year ended March 31st, 2018, which show a negative net equity of **MAD - 10 183 786.02** including a net loss of **MAD 753 789.60**.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Moroccan accounting principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the presentation of financial statements that are free from material misstatement, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Moroccan auditing standards. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation.

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

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph above are regular and sincere and give, in all material aspects, a fair view of the result of the year's operations and the financial position and assets of the Company SUN PHARMACEUTICALS MOROCCO LLC SARLAU as of March 31st, 2018, in accordance with Moroccan accounting principles.

Without qualifying the above opinion, we bring to your attention the following situations:

1. The tax audit that the Company was under, has been completed. The financial statements mentioned in the first paragraph above, take into consideration the impact of the final tax adjustment that has been agreed with the tax administration.

As a reminder, this tax audit was related to Corporate Tax (2011, 2012, 2013, 2014, 2014/2015 and 2015/2016), Value Added Tax (2011 to 2015), Income Tax on Wages (2013 to 2015) and stamp and registration duties (2013 to 2015).

2. The net equity of the Company as of March 31st, 2018, is negative for an amount of 10 184 thousand of Moroccan dirhams.

According to the article 86 of the law 5-96 (Law on LLC), the sole shareholder must decide whether the company should be liquidated. If the sole shareholder decides the company should not be liquidated, then he must proceed to an increase of capital, so that equity becomes at least equal to one fourth (25%) of share capital.

The shareholder of the company continues to give its financial support to Sun Pharmaceuticals Morocco LLC. Therefore, the financial statements have been prepared on a going concern basis.

Casablanca, July 2nd, 2018

THE INDEPENDENT AUDITOR
Chakib Zaari

Réviséa Casablanca SARL

Balance Sheet (Assets)

ASSETS	CURRENT YEAR			PRIOR YEAR
	Gross Amount	Amortisation or depreciation	Net amount	Net amount
CAPITALIZED EXPENSES (A)	163 353,00	163 353,00	0,00	26 270,59
Preliminary expenses	163 353,00	163 353,00		26 270,59
Deferred expenses on several years				
F Premium of debentures refund				
I INTANGIBLE FIXED ASSETS (B)	66 741,00	32 627,50	34 113,50	47 345,81
X Research and development				
E Patents, Trademarks, and similar rights	66 741,00	32 627,50	34 113,50	47 345,81
D Goodwill				
Other Intangible Assets				
A TANGIBLE FIXED ASSETS(C)	1 296 141,35	641 873,00	501 716,92	654 268,35
S Land				
S Buildings				
E Industrial fixtures and equipment	89 639,39	53 627,70	36 011,69	36 995,60
T Transportation equipment				
S Office equipment and furniture	1 248 325,30	782 620,07	465 705,23	617 272,75
Other tangible fixed assets				
Tangible fixed assets in progress				
LONG TERM INVESTMENTS (D)	1 427 171,30	0,00	1 427 171,30	816 177,30
Long term loans				
Other financial assets	1 427 171,30		1 427 171,30	816 177,30
Investments				
Other investments				
UNREALISED EXCHANGE RATE LOSSES (E)				
Unrealised exchange rate losses (from long term assets)				
Unrealised exchange rate losses (from long term liabilities)				
TOTAL I (A+B+C+D+E)	2 995 229,99	1 032 228,27	1 963 001,72	1 544 062,05
INVENTORIES (F)	26 971 289,37	12 013 777,25	14 957 512,12	33 742 904,24
C Merchandises	18 956 170,90	5 994 097,74	12 962 073,16	26 901 151,18
U Raw materials and furnitures	6 574 194,80	4 679 798,99	1 894 395,81	4 510 041,05
R Work in progress				867 821,04
R Intermediate and residual products				
E Finished products	1 440 923,67	1 339 880,52	101 043,15	1 463 890,97
N CURRENT ASSETS(G)	126 105 567,78	0,00	126 105 567,78	93 378 793,06
T Advances payments to suppliers and other debtors	4 132 566,50		4 132 566,50	584 508,52
Trade accounts receivable	117 592 866,91		117 592 866,91	87 681 243,52
A Personnel	778 667,25		778 667,25	125 769,35
S Taxes	2 886 301,80		2 886 301,80	4 274 763,65
S Shareholders Current accounts				
E Others debtors	306 344,92		306 344,92	474 804,92
T Deferral accounts	408 820,40		408 820,40	241 503,10
S MARKETABLE SECURITIES (H)				
UNREALISED EXCHANGE RATE LOSSES (I)	6 175 901,61		6 175 901,61	8 453 991,75
(Current)				
TOTAL II (F+G+H+I)	159 252 758,76	12 013 777,25	147 238 981,51	135 575 689,05
CASH AND CASH EQUIVALENTS (Assets)	25 119 762,91	0,00	25 119 762,91	6 150 030,97
A Checks and other instruments to be cashed				
S Cash on Bank	25 103 370,70		25 103 370,70	6 140 702,63
H Cash on hand	16 392,21		16 392,21	9 328,34
TOTAL III	25 119 762,91	0,00	25 119 762,91	6 150 030,97
TOTAL ASSETS I+II+III	187 367 751,66	13 046 005,52	174 321 746,14	143 269 782,07

Balance Sheet (Liabilities)

	LIABILITIES	CURRENT YEAR	PRIOR YEAR
	Shareholder's equity (A)		
	Common stock (1)	12 235 300,00	12 235 300,00
	(Minus) Common stock subscribed but not called-up		
C	Issuance, merger and contribution premium		
A	Revaluation reserve		
P	Legal reserve		
I	Others reserves		
T	Profit/ loss account brought forward (2)	-21 665 296,42	-33 523 080,14
A	Not yet allocated income (2)		
L	of the year	-820 734,60	11 857 783,72
	Total Shareholders Net Equity (A)	-10 250 731,02	-9 429 996,49
A	RELATED EQUITY (B)	0,00	0,00
N	Investment Subsidy		
D	Regulatory provisions		
	FINANCIAL LIABILITIES (C)	0,00	0,00
R	Debenture Loans		
E	Other financial liabilities		
S			
E			
R	PROVISION FOR CONTINGENCIES AND LOSSES(D)	0,00	0,00
V	Provision for contingencies		
E	Provision for losses		
S	UNREALISED EXCHANGE RATE GAINS (Non current) (E)	0,00	0,00
	Unrealised exchange rate gains from long term assets		
	Unrealised exchange rate gains from long term liabilities		
	Total I(A+B+C+D+E)	-10 250 731,02	-9 429 996,49
L	CURRENT LIABILITIES (F)	177 804 284,25	143 607 864,87
I	Trade accounts payable	99 476 848,17	83 969 362,27
A	Clients in credit, Advance payments received	15 387 986,03	
B	Personnel	2 552 537,11	3 147 955,56
I	Social security liabilities	1 388 284,48	1 407 046,36
L	Taxes	9 998 924,27	5 540 601,60
I	Shareholders current accounts	48 999 704,19	49 542 899,08
T	Others debts		
I	Deferral accounts		
E	OTHER PROVISION FOR CONTINGENCIES AND LOSSES (G)	6 429 114,91	8 855 494,85
S	UNREALISED EXCHANGE RATE GAINS (Current) (H)	339 078,00	236 418,77
	Total II (F+G+H)	184 572 477,16	152 699 778,49
C	CASH LIABILITIES	0,00	0,00
A	Discounts credit		
S	Short term credit facility		
H	Bank Overdrafts		
	Total III		
	TOTAL LIABILITIES I+II+III	174 321 746,14	143 269 782,07

(1) Debtor share capital (-)

(2) Income (+) Loss (-)

INCOME STATEMENT

	ITEM	CURRENT YEAR			PRIOR YEAR Net amount 4
		Related to the period 1	Related to the prior periods 2	Net amount 3=2+1	
OPERATING	I OPERATING REVENUE				
	Sales of merchandise	136 724 150,71		145 785 497,84	113 905 294,12
	Sales of goods and services			26 896 523,16	22 818 856,59
	Finished Goods inventory change (+/-) (1)	-71 639,57		-2 592 893,08	-71 639,57
	Self constructed capital asset				
	Operating Subsidy				
	Others operating income	19 265 363,07		16 183 149,29	19 265 363,07
	Reversal of operating provisions-charges transfer	1 305 538,36		4 102 501,40	1 487 678,36
	Total I	157 223 412,57		190 374 778,61	157 405 552,57
	II OPERATING EXPENSES				
	Purchase of goods for resale (2)	54 700 386,45		90 709 292,04	56 327 642,78
Purchase of materials and supplies (2)	6 947 066,06		8 044 377,84	6 947 066,06	
Other external expenses	48 510 336,09	21 668,36	50 603 951,31	48 534 098,45	
Taxes	501 056,73		1 148 317,05	501 056,73	
Personnel expenses	21 217 541,84		24 311 814,26	21 219 247,84	
Other operating expenses					
Operating allowances (for depreciation and risks)	7 704 522,32		12 247 654,92	4 336 662,32	
Total II	139 580 909,49	21 668,36	187 065 407,42	139 865 774,18	
III OPERATING INCOME / LOSS (I - II)			3 309 371,19	17 539 778,39	
FINANCIAL	IV FINANCIAL REVENUE				
	Revenue from investment and others				
	Exchange gains	164 625,94		3 596 776,83	168 213,71
	Interests and other financial revenue	188 381,98		11 710,20	188 381,98
	Reversal of financial provisions - charges transfer	5 647 892,68		8 695 494,85	5 644 304,91
	Total IV	6 000 900,60		12 303 981,88	6 000 900,60
	V FINANCIAL EXPENSES				
	Interests expenses	1 484 789,42		1 668 223,21	1 484 789,42
	Exchange losses	597 700,32		32 390,11	612 215,96
	Other financial expenses				
Financial allowances	8 706 378,67		6 429 114,91	8 695 494,85	
Total V	10 788 868,41		8 129 728,23	10 792 500,23	
VI FINANCIAL INCOME (IV-V)			4 174 253,65	-4 791 599,63	
VII ORDINARY INCOME (III+VI)			7 483 624,84	12 748 178,76	

1) Change in inventories: final inventories - initial inventories, increase (+) decrease (-)
 2) Cost: purchases - inventories change

