

Zydus Netherlands B.V.
Balance Sheet as at December 31, 2016

Particulars	Note No.	Euro- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
ASSETS:					
Non-Current Assets:					
Financial Assets:					
Investments	1	78,420	65,070	5,605,462	4,726,034
Current Assets:					
Cash and Cash Equivalents	2	27	20	1,930	1,453
Total		78,447	65,090	5,607,392	4,727,487
EQUITY AND LIABILITIES:					
Equity:					
Equity Share Capital	3	84,749	68,894	6,057,859	5,003,772
Other Equity	4	(8,408)	(8,369)	(601,004)	(607,841)
Non-Current Liabilities:					
Financial Liabilities:					
Borrowings	5	-	2,099	-	152,450
Current Liabilities:					
Financial Liabilities:					
Other Financial Liabilities	6	2,106	2,466	150,537	179,106
Total		78,447	65,090	5,607,392	4,727,487
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 13				

Statement of Profit and Loss for the year ended December 31, 2016

Particulars	Note No.	Euro- Thousands		INR- Thousands	
		Year ended December 31			
		2016	2015	2016	2015
EXPENSES:					
Finance Costs	7	1	2	74	142
Other Expenses	8	38	43	2,824	3,060
Total Expenses		39	45	2,898	3,202
Loss for the year		(39)	(45)	(2,898)	(3,202)
OTHER COMPREHENSIVE INCOME:					
Other Comprehensive Income for the year, net of tax		-	-	-	-
Total Comprehensive Income for the year		(39)	(45)	(2,898)	(3,202)
Basic & Diluted Earning per Equity Share [EPS] [in Euro / Rupees]	9	(0.05)	(0.07)	(4.07)	(4.97)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 13				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 25, 2017

Director

Zydus Netherlands B.V.
Statement of Change in Equity for the year ended December 31, 2016

a Equity Share Capital:			
	No. of Shares	Currency	INR
Equity Shares of Euro 100/- each, Issued, Subscribed and Fully Paid-up:			
As at December 31, 2014	496,023	49,602	3,784,633
Add : Issued during the year	163,420	16,342	1,004,880
As at December 31, 2015	659,443	65,944	4,789,513
Add : Issued and Converted during the year	188,051	18,805	1,268,346
As at December 31, 2016	847,494	84,749	6,057,859
		Euro- Thousands	
b Other Equity:			Total
As at December 31, 2014			(8,324)
Add: Loss for the year		(45)	(45)
As at December 31, 2015			(8,369)
Add: Loss for the year		(39)	(39)
As at December 31, 2016			(8,408)
			-
		INR- Thousands	
	Foreign Currency Translation Reserve	Retained Earnings	Total
As at December 31, 2014	50,807	(685,930)	(635,123)
Add: Loss for the year		(3,202)	(3,202)
Other Credit/ [Debit] during the year #	30,484		30,484
As at December 31, 2015	81,291	(689,132)	(607,841)
Add: Loss for the year		(2,898)	(2,898)
Other Credit/ [Debit] during the year #	9,735		9,735
As at December 31, 2016	91,026	(692,030)	(601,004)
# Includes adjustments on account of exchange rate translation differences.			-
<u>As per our report of even date</u>		For and on behalf of the Board	
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W			
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 25, 2017		Director	

I-Company overview:

ZyduS Netherlands B.V. (the Company) is a private company with limited liability (a wholly-owned subsidiary of ZyduS International Private Limited, till March 24, 2017), incorporated under the laws of The Netherlands on 18 January 2007, having its corporate seat in Amsterdam, with offices at Hoogoorddreef 15, Amsterdam. The Company is registered at the Chamber of Commerce under number 34265024. The principal business activity of ZyduS Netherlands B.V. is to act as investment, holding and finance company.

II-Significant Accounting Policies:**1 Basis of Accounting:**

The financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise. Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

2 Reporting Currency Translation:

The Local accounts are maintained in local and functional currency which is "EURO". These accounts have been translated in Indian Rupees [INR] considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to INR from "EURO" is performed for assets and liabilities using the exchange rate prevailing on the Balance sheet date and for revenue and expenses using the average exchange rate for the respective period. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Other Equity.

3 Foreign Currency [Currency other than company's functional] currency Transactions:

- A** The transactions in foreign currencies are stated at the rates of exchange prevailing on the date of transaction.
- B** The net gain or loss on account of exchange differences either on settlement or on translation are recognised in the statement of Profit and Loss.
- C** Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange prevailing at the balance sheet date.

4 Investments:

Long term and strategic investment are stated at cost, less any diminution in the value other than temporary.

5 Financial Instruments:

Financial Instruments include both primary financial instruments such as receivables and liabilities and financial derivatives. Reference is made to the recognition per balance sheet item for principle of primary financial instruments.

6 Other assets and liabilities:

All other items are stated at nominal value except where a different basis of valuation has been indicated in the financial statements.

7 Taxation:

- A** Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.
- B** Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

8 Revenue Recognition:

Interest income is recognised on time proportionate method.

Zydus Netherlands B.V.
Notes to the Financial Statements

	Nos. [*]	Face Value [**]	Euro- Thousands		INR- Thousands	
			As at December 31			
			2016	2015	2016	2015
Note: 1-Investments:						
Long Term Investments :						
Trade Investments:						
Investments in Equity Instruments			78,420	65,070	5,605,462	4,726,034
			78,420	65,070	5,605,462	4,726,034
A Details of Trade Investments :						
Investment in Equity Instruments:						
Subsidiary Companies:						
Unquoted:						
In fully paid-up equity shares of:						
Zydus Nikkho Farmaceutica Ltda [Formerly known as	145,720,154	Brasil Reals	48,614	44,514	3,474,929	3,233,052
Zydus Healthcare Brasil Ltda.]	[128,621,004]	1/- each			-	-
Laboratorios Combix S.L.	7,481,066	Euro	29,806	20,556	2,130,533	1,492,982
	[7,462,566]	1/- each			-	-
Total			78,420	65,070	5,605,462	4,726,034
Explanations:						
In "Nos. [*]" figures of previous year are same unless stated in []. In "Face Value [**]" figures are in respective currency.						
Note: 2-Cash and Cash Equivalents:						
Balances with Banks			27	20	1,930	1,453
Total			27	20	1,930	1,453
Note: 3-Equity Share Capital:						
Authorised:						
847,494 [as at December 31, 2015: 688,943] Ordinary Shares of € 100/- each			84,749	68,894	6,057,859	5,003,772
			84,749	68,894	6,057,859	5,003,772
Issued, Subscribed and Fully Paid-up Equity Shares:						
847,494 [as at December 31, 2015: 659,443] Ordinary Shares of € 100/- each, fully paid-up			84,749	65,944	6,057,859	4,789,513
Share Application Money Pending Allotment			-	2,950	-	214,259
			84,749	68,894	6,057,859	5,003,772
A Reconciliation of the number of Shares outstanding as at December 31, 2016 and 2015 :						
Number of shares at the beginning			659,443	496,023		
Add: Shares issued during the year			163,401	42,903		
Add: Shares issued pursuant to conversion of loan			24,650	120,517		
Number of shares at the end			847,494	659,443		
B The Company has only ordinary shares. All ordinary shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the ordinary shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.						
C Ordinary shares of € 100/- each, fully paid held by Holding Company, Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.						
Number of Shares			847,494	659,443		
% to total share holding			100%	100%		
Note: 4-Other Equity:						
Other Reserves:						
Foreign Currency Translation Reserve:						
Balance as per last Balance Sheet					81,291	50,807
Add: Exchange Rate differences on translation to INR					9,735	30,484
			-	-	91,026	81,291
Retained Earnings:						
Balance as per last Balance Sheet			(8,369)	(8,324)	(689,132)	(685,930)
Less: Adjusted to FVTOCI reserve on transition to Ind AS			-	-	-	-
Add: Loss for the year			(39)	(45)	(2,898)	(3,202)
Balance as at the end of the year			(8,408)	(8,369)	(692,030)	(689,132)
Total			(8,408)	(8,369)	(601,004)	(607,841)

Zydus Netherlands B.V.
Notes to the Financial Statements

Note: 5-Borrowings:

	Euro- Thousands		INR- Thousands		Euro- Thousands		INR- Thousands	
	Non-current portion				Current Maturities			
	As at December 31				As at December 31			
	2016	2015	2016	2015	2016	2015	2016	2015
From Related Parties [Unsecured]		2,099	-	152,450	2,099	2,465	150,037	179,033
Total	-	2,099	-	152,450	2,099	2,465	150,037	179,033
The above amount includes:								
Unsecured borrowings	-	2,099	-	152,450	2,099	2,465	150,037	179,033
Amount disclosed under the head								
Other Current Liabilities [Note-6]					(2,099)	(2,465)	(150,037)	(179,033)
Net amount	-	2,099	-	152,450	-	-	-	-

Loan is availed from Zydus International Private Limited [Holding Company]. No interest will be payable on the amount of Convertible Loan, which is converted into share capital of Zydus Netherlands B.V. The loan of EUR 2,099,000 will be for a period of five years from the date of first disbursement i.e. 13th Feb'2012. During the current year, loan amount of EUR 2,465,000 were converted into 24,650 ordinary shares of EUR 100.

Note: 6-Other Financial Liabilities:

Current Maturities of Long Term Debt [Refer Note- 5]					2,099	2,465	150,037	179,033
Provision for Expenses					7	1	500	73
Total					2,106	2,466	150,537	179,106

Note: 7-Finance Cost:

Bank commission & charges					1	2	74	142
Total					1	2	74	142

Note: 8-Other Expenses:

Legal and Professional Fees					38	43	2,824	3,060
Total					38	43	2,824	3,060

Note: 9-Calculation of Earnings per Equity Share [EPS]:

The numerators and denominators used to calculate the basic and diluted EPS are as follows:								
A Profit attributable to Shareholders					(39)	(45)	(2,898)	(3,202)
B Basic and weighted average number of Equity shares outstanding during th	Numbers				712,318	644,214	712,318	644,214
					Euro		INR	
C Nominal value of equity share					100	100		
D Basic & Diluted EPS					(0.05)	(0.07)	(4.07)	(4.97)

Note: 10-Related Party Transactions:

A Name of the Related Parties and Nature of the Related Party Relationship:

a Holding Company: Zydus International Private Limited [Ireland]

b Ultimate Holding Company: Cadila Healthcare Limited, a company incorporated in India

c Subsidiary Companies:

Zydus Nikkho Farmaceutica Ltda. [Brazil]

Laboratorios Combix S.L. [Spain]

d Fellow Subsidiaries:

Dialforhealth India Limited

Zydus Noveltech Inc. [USA]

Dialforhealth Unity Limited

Hercon Pharmaceuticals LLC [USA]

Dialforhealth Greencross Limited

Zydus Healthcare S.A. (Pty) Ltd [South Africa]

Zydus Wellness Limited

Simayla Pharmaceuticals (Pty) Ltd [South Africa]

M/s. Zydus Wellness-Sikkim, a Partnership Firm

Script Management Services (Pty) Ltd [South Africa]

Zydus Healthcare Limited

Zydus Pharmaceuticals Mexico SA De CV [Mexico]

Zydus Technologies Limited

Alidac Healthcare (Myanmar) Limited [Myanmar]

Liva Pharmaceuticals Limited

Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]

Alidac Pharmaceuticals Limited

Etna Biotech S.R.L. [Italy]

Zydus International Private Limited [Ireland]

Z AHL B.V. [the Netherlands]

Zydus Healthcare (USA) LLC [USA]

Z AHL Europe B.V. [the Netherlands]

Zydus Healthcare Philippines Inc [Philippines]

Bremer Pharma GmbH [Germany]

Zydus Pharmaceuticals (USA) Inc.[USA]

Nesher Pharmaceuticals (USA) LLC [USA]

Zydus France, SAS [France]

Zydus Worldwide DMCC [Dubai]

Zydus Discovery DMCC [Dubai]

Zydus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]

e Directors:

Mrs. K. Hejlova

Mr. P. Solanki [Appointed w.e.f. 20th March,2017]

Mr. David Blanksby [Resigned w.e.f. 20th March,2017]

Zydus Netherlands B.V.
Notes to the Financial Statements

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business.

a Details relating to parties referred to in items 10 A [a & c]

Nature of Transactions

	<u>Euro - Thousands</u>		<u>INR-Thousands</u>	
	<u>Year ended</u>			
	<u>December 31</u>		<u>December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
1 Finance:				
Inter Corporate Loans Repaid:				
Zydus International Private Limited	2,465	11,300	176,198	820,719
2 Investments:				
Purchases/ Subscription to Share Capital of:				
Zydus Nikkho Farmaceutica Ltda.	4,100	2,400	293,068	174,312
Laboratorios Combix S.L.	9,250	4,780	661,190	347,171
Sales/ Subscription to Share Capital from:				
Zydus International Private Limited	15,855	7,240	1,133,315	525,841
3 Outstanding:				
Payable:				
Zydus International Private Limited	2,099	4,564	150,037	331,483
b There are no transactions with the parties referred to in item no. 10 A [b, d & e]				

Note: 11-Segment Information:

A Primary Business Segment-By Geographical Market:

	<u>Value of Transactions [Euro Thousands]</u>				<u>Value of Transactions [INR Thousands]</u>			
	<u>Revenue by</u>		<u>Carrying amount of segment</u>		<u>Revenue by Geographical</u>		<u>Carrying amount of segment</u>	
	<u>Geographical Market</u>		<u>assets</u>		<u>Market</u>		<u>assets</u>	
	<u>Year ended December 31</u>				<u>Year ended December 31</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
a European Countries	-	-	29,833	20,576	-	-	2,132,463	1,494,435
b Rest of the world	-	-	48,614	44,514	-	-	3,474,929	3,233,052
c Total	-	-	78,447	65,090	-	-	5,607,392	4,727,487

B Secondary Business Segment: There is only one segment namely investments activities.

Note: 12 Post reporting date events :

Pursuant to the Share Purchase Agreement [SPA] entered into by the Parent Company [Zydus International Private Limited, Ireland] on March 24, 2017 with Zydus Worldwide DMCC [Dubai] a 100% subsidiary of the ultimate Parent Company [Cadila Healthcare Limited, India], Zydus Worldwide DMCC [Dubai] had acquired 100% of the share capital of Zydus Netherlands B.V for Cash Consideration. Pursuant to this, Zydus Netherlands B.V. has become direct overseas subsidiary of Zydus Worldwide DMCC [Dubai].

Note: 13 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 13 to the Financial Statements

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director

Zydus Netherlands B.V.
Cash Flow Statement for the year ended December 31, 2016

Particulars	Euro- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Loss before tax	(39)	(45)	(2,898)	(3,202)
Operating profit before working capital changes	(39)	(45)	(2,898)	(3,202)
Adjustments for:				
Increase/ [Decrease] in other current liabilities	6	(25)	445	(1,779)
Net cash from [used] operating activities	(33)	(70)	(2,453)	(4,981)
B Cash flows from investing activities:				
Purchase of Non Current investments	(13,350)	(7,180)	(992,172)	(511,001)
Net cash used [from] in investing activities	(13,350)	(7,180)	(992,172)	(511,001)
C Cash flows from financing activities:				
Proceeds from Issuance of Share Capital	13,390	7,240	995,145	515,271
Net cash used [from] in financing activities	13,390	7,240	995,145	515,271
Net increase in cash and cash equivalents	7	(10)	520	(711)
Increase/ [Decrease] due to the translation to INR [Refer Note-2]	-	-	(43)	(125)
Cash and cash equivalents at the beginning of the year	20	30	1,453	2,289
Cash and cash equivalents at the end of the year	27	20	1,930	1,453

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR".

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director