

**Zydus Netherlands B.V.**  
**Balance Sheet as at December 31, 2015**

Particulars	Note No.	Euro-Thousands		INR-Thousands	
		As at December 31			
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	65,944	49,602	4,789,513	3,784,633
Reserves and Surplus	2	(8,369)	(8,324)	(607,841)	(635,123)
		57,575	41,278	4,181,672	3,149,510
<b>Share Application Money pending allotment</b>		2,950	-	214,259	-
<b>Non-Current Liabilities:</b>					
Long Term Borrowings	3	2,099	3,765	152,450	287,270
<b>Current Liabilities:</b>					
Other Current Liabilities	4	2,466	12,877	179,106	982,516
<b>Total</b>		65,090	57,920	4,727,487	4,419,296
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Non-Current Investments	5	65,070	57,890	4,726,034	4,417,007
<b>Current Assets:</b>					
Cash and Bank Balances	6	20	30	1,453	2,289
<b>Total</b>		65,090	57,920	4,727,487	4,419,296
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 12				

**Statement of Profit and Loss for the year ended December 31, 2015**

Particulars	Note No.	Euro-Thousands		INR-Thousands	
		Year ended December 31			
		2015	2014	2015	2014
<b>EXPENSES:</b>					
Finance Costs	7	2	109	142	8,831
Other Expenses	8	43	45	3,060	3,646
Total Expenses		45	154	3,202	12,477
<b>Loss for the year</b>		(45)	(154)	(3,202)	(12,477)
<b>Basic &amp; Diluted Earning per Share [EPS]</b>	9	(0.07)	(0.41)	(4.97)	(33.18)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 12				

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 12, 2016

Director

## Zydus Netherlands B.V.

### I-Company overview:

Zydus Netherlands B.V. [the Company] was incorporated on January 18, 2007. The Company's registered office is situated at Amerika Building, Hoogoorddreef 15, 1101 BA Amsterdam, the Netherlands. Its principal activities are to act as a holding and finance company.

### II-Significant Accounting Policies:

#### 1 Basis of Accounting:

The financial statements have been prepared in accordance with principles of accounting generally accepted in the Netherlands and are in compliance with the provisions of the Netherlands Civil Code Book 2, Title 9. The Company follows the accrual method of accounting in preparing its financial statements. Under the accrual method, the effects of transactions and other events on the assets, liabilities and income are recognised and reported in the year to which they relate rather than when cash is paid or received. However dividends from group entities are recorded as income when received.

#### 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 Reserves and Surplus.

#### 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 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.

#### 6 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.

#### 7 Revenue Recognition:

Interest income is recognised on time proportionate method.

**Zydus Netherlands B.V.**  
**Notes to the Financial Statements**

	Euro-Thousands		INR-Thousands	
	As at December 31			
	2015	2014	2015	2014
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
688,943 [as at December 31, 2014: 496,023] Ordinary Shares of € 100/- each	68,894	49,602	5,003,771	3,784,633
	68,894	49,602	5,003,771	3,784,633
<b>Issued, Subscribed and Paid-up:</b>				
659,443 [as at December 31, 2014: 496,023] Ordinary Shares of € 100/- each, fully paid-up	65,944	49,602	4,789,513	3,784,633
<b>Total</b>	<b>65,944</b>	<b>49,602</b>	<b>4,789,513</b>	<b>3,784,633</b>
A Number of shares at the beginning and at the end of the year	496,023	173,320		
Add: Shares issued during the year	42,903	123,998		
Add: Shares issued pursuant to conversion of loan	120,517	198,705		
Number of shares at the end of the year	659,443	496,023		
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	659,443	496,023		
% to total share holding	100%	100%		

<b>Note: 2-Reserves and Surplus:</b>				
<b>Foreign Currency Translation Reserve:</b>				
Balance as per last Balance Sheet			50,807	
Add/ [Less]: Exchange differences on translation to Indian Rupee			30,484	50,807
	-	-	81,291	50,807
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(8,324)	(8,170)	(685,930)	(673,453)
Add: Loss for the year	(45)	(154)	(3,202)	(12,477)
Balance as at the end of the year	(8,369)	(8,324)	(689,132)	(685,930)
<b>Total</b>	<b>(8,369)</b>	<b>(8,324)</b>	<b>(607,841)</b>	<b>(635,123)</b>

<b>Note: 3-Long Term Borrowings:</b>								
	Euro-Thousands		INR-Thousands		Euro-Thousands		INR-Thousands	
	Non-current portion				Current Maturities			
	As at December 31							
	2015	2014	2015	2014	2015	2014	2015	2014
From Related Parties [Unsecured] [*]	2,099	3,765	152,450	287,270	2,465	12,099	179,033	923,154
Amount disclosed under the head								
Other Current Liabilities [Note-4]	-	-	-	-	(2,465)	(12,099)	(179,033)	(923,154)
<b>Total</b>	<b>2,099</b>	<b>3,765</b>	<b>152,450</b>	<b>287,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

[\*] Details of Loans and Advances from Related Parties [Refer Note-11 for relationship] are as under:

**a** Zydus International Private Limited [ZIPL]- Holding Company

Convertible Loan: No interest will be payable on the amount of Convertible Loan, which is converted into capital of Zydus Netherlands B.V. [ZNBV]. ZIPL will have an option at the sole discretion for converting a part or the full amount of Convertible Loan into share capital of ZNBV at par value, at any time or from time to time in one or more tranches. The term loan will be for a period of five years from the disbursement date.

Disbursement Date	EUR('000)
14-Dec-09	800
5-Jan-11	274
25-Jul-11	1,391
13-Feb-12	231
8-Aug-12	1,567
4-Feb-13	301
<b>Total</b>	<b>4,564</b>



**Zydus Netherlands B.V.**  
**Notes to the Financial Statements**

		Euro-Thousands		INR-Thousands	
		Year ended December 31			
		2015	2014	2015	2014
<b>Note: 9-Calculation of Earnings per Share [EPS]:</b>					
The numerators and denominators used to calculate the basic and diluted EPS are as follows:					
A	Loss attributable to Shareholders	(45)	(154)	(3,202)	(12,477)
B	Basic and weighted average number of shares outstanding during the year	644,214	376,070	644,214	376,070
C	Nominal value of share	100	100	100	100
		Euro		INR	
D	Basic & Diluted EPS	(0.07)	(0.41)	(4.97)	(33.18)

**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

Dialforhealth Unity Limited

Dialforhealth Greencross Limited

German Remedies Limited

Zydus Wellness Limited

Liva Pharmaceuticals Limited

Zydus Technologies Limited

Biochem Pharmaceutical Industries Limited

Alidac Pharmaceuticals Limited [Formerly known

as Zydus BSV Pharma Private Limited]

M/s. Zydus Healthcare, a Partnership Firm

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

Zydus Lanka (Private) Limited [Sri Lanka]

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

Zydus Healthcare (USA) LLC [USA]

Zydus Pharmaceuticals (USA) Inc. [USA]

Nesher Pharmaceuticals (USA) LLC [USA]

Zydus Pharma Japan Co. Ltd. [Japan]

Etna Biotech S.R.L. [Italy]

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

Zydus Pharmaceuticals Mexico Services Company

SA De C.V.[Mexico]

Zydus Noveltech Inc. [USA]

Simayla Pharmaceuticals (Pty) Ltd [South Africa]

Script Management Services (Pty) Ltd [South Africa]

Hercon Pharmaceuticals LLC [USA]

Z AHL B.V. [the Netherlands]

Z AHL Europe B.V. [the Netherlands]

Bremer Pharma GmbH [Germany]

Zydus Healthcare Philippines Inc [Philippines]

Zydus Worldwide DMCC [Dubai]

Zydus Discovery DMCC [Dubai]

Zydus France, SAS [France]

**e Directors:**

Mrs K. Hejlova

Mr. D. R Blanksby

**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>	
	Year ended			
	2015	2014	2015	2014
<b>1 Finance:</b>				
<b>Interest paid on Loans:</b>				
Zydus International Private Limited	-	108	-	8,750
<b>2 Investments:</b>				
<b>Purchases/ Subscription to Share Capital of:</b>				
Zydus Nikkho Farmaceutica Ltda.	2,400	10,100	174,312	770,630
Laboratorios Combix S.L.	4,780	2,300	347,171	175,490
<b>Sales/ Subscription to Share Capital from:</b>				
Zydus International Private Limited	7,240	12,400	525,841	946,120
<b>3 Outstanding:</b>				
<b>Payable:</b>				
Zydus International Private Limited	4,564	16,616	331,483	1,267,801
Laboratorios Combix S.L.				

**b** There are no transactions with the parties referred to in item no. 10 A [b, d & e]

**Zydus Netherlands B.V.**  
**Notes to the Financial Statements**

**Note: 11-Segment Information:**

**A Primary Business Segment-By Geographical Market:**

	Value of Transactions [Euro Thousands]				Value of Transactions [INR Thousands]			
	Revenue by Geographical Market		Carrying amount of segment assets		Revenue by Geographical Market		Carrying amount of segment assets	
	Year ended December 31				Year ended December 31			
	2015	2014	2015	2014	2015	2014	2015	2014
a European Countries	-	-	20,576	15,806	-	-	1,494,435	1,205,998
b Rest of the world	-	-	44,514	42,114	-	-	3,233,052	3,213,298
<b>c Total</b>	-	-	<b>65,090</b>	57,920	-	-	<b>4,727,487</b>	4,419,296

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

**Note: 12** 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 12 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 12, 2016

Director

**Zydus Netherlands B.V.**  
**Cash Flow Statement for the year ended December 31, 2015**

Particulars	Euro-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
<b>A Cash flows from operating activities:</b>				
Profit/ [Loss] Loss before tax	(45)	(154)	(3,202)	(12,477)
Adjustments for:				
Interest expenses	-	108	-	8,750
Operating profit before working capital changes	(45)	(46)	(3,202)	(3,727)
Adjustments for:				
Increase/ [Decrease] in other current liabilities	(25)	20	(1,779)	1,620
Net cash from [used] operating activities	(70)	(26)	(4,981)	(2,107)
<b>B Cash flows from investing activities:</b>				
Purchase of Non Current investments	(7,180)	(12,400)	(511,001)	(1,004,648)
Net cash used [from] in investing activities	(7,180)	(12,400)	(511,001)	(1,004,648)
<b>C Cash flows from financing activities:</b>				
Proceeds from Issuance of Share Capital	7,240	12,400	515,271	1,004,648
Net cash used [from] in financing activities	7,240	12,400	515,271	1,004,648
<b>Net increase in cash and cash equivalents</b>	(10)	(26)	(711)	(2,107)
<b>Increase/ [Decrease] due to the translation to INR [Refer Note-3]</b>	-	-	(125)	(220)
<b>Cash and cash equivalents at the beginning of the year</b>	30	56	2,289	4,616
<b>Cash and cash equivalents at the end of the year</b>	20	30	1,453	2,289

**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 12, 2016

Director