

# ANNUAL FINANCIAL STATEMENT

As of

March 31st, 2018

**BREMER PHARMA GMBH**  
**34414 WARBURG**

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**General Terms of Engagement**

## **Auditors' report and concluding remark**

As result of our audit we issued unqualified certification of the annual financial statement as of March 31st, 2018 of Bremer Pharma GmbH, Warburg, as attached in annex 1 to 3:

### **“Auditors' report**

To Bremer Pharma GmbH, Warburg

We have audited the annual financial statements of Bremer Pharma GmbH, Warburg, comprising the balance sheet, the profit and loss account, and the notes to the annual financial statement for the financial year from April 1st, 2017 to March 31st, 2018. Accountancy and presentation of annual financial statement according to German commercial regulations are the responsibility of the company's general management. It is our responsibility to provide an assessment of the annual financial statement including accountancy based on our audit.

We conducted our audit of the annual financial statement in accordance with § 317 HGB (= German Commercial Code) and German Generally Accepted Accounting Principles for the audit of annual financial statement promulgated by the German Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit so that inaccuracies and infringements are reliably identified that affect the presentation of the assets, finances and earnings in the annual financial statement. Information about the company's business activities and the economic and legal environment and expectations of possible inaccuracies are taken into account when determining audit procedures. Effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the annual financial statement are primarily assessed by carrying out spot checks during the audit. The audit includes assessing the accounting principles used and the relevant estimates made by the management, as well as evaluating the overall presentation of the annual financial statement. We believe that our audit provides a reasonable basis for our assessment.

Our audit did not reveal any grounds for objection.

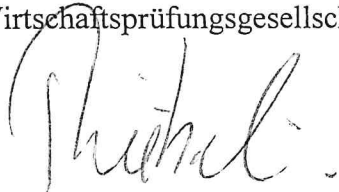
We believe that based on the information obtained during the audit, the annual financial statement is in accordance with statutory provisions and gives a true and fair view of the assets, finances and earnings of the company in compliance with generally accepted accounting principles.”

Use of the a.m. auditors' certificate outside of this audit report is subject to our prior approval. Publication or distribution of the annual financial statement in a form that deviates from the certified version (including translation into other languages) needs our prior new statement in case our audit certificate is cited or referred to; by reference to § 328 HGB (= German Commercial Code).

Warburg, April 23<sup>rd</sup>, 2018

B + H Deutsche Revisionsgesellschaft mbH

Wirtschaftsprüfungsgesellschaft

A handwritten signature in black ink, appearing to read 'Ingo Riebeling', is written over the printed name. The signature is fluid and cursive.

Ingo Riebeling

Auditor

Balance Sheet Bremer Pharma GmbH as of March 31st, 2018				
Assets	31.03.2018 EUR	31.03.2017 EUR	31.03.2018 EUR	31.03.2017 EUR
<b>A. Fixed Assets</b>				
<b>I. Intangible fixed assets</b>				
1. Acquired concessions, industrial and similar rights and assets, and licenses in such rights and assets	44.609,81	68.908,99	480.000,00	480.000,00
2. Prepayments	86.920,32	115.147,41	4.105.075,20	4.105.075,20
	<u>131.530,13</u>	<u>184.056,40</u>	<u>-2.140.293,59</u>	<u>-1.964.309,77</u>
			1.643.355,59	2.444.781,61
<b>II. Tangible fixed assets</b>				
1. Land, land rights and buildings, including buildings on third-party land	394.341,32	311.856,32	324.802,96	234.988,46
2. Technical equipment and machinery	333.117,00	439.969,00		234.988,46
3. Other equipment, operating and office equipment	77.547,00	92.663,00		
4. Prepayments and assets under construction	3.870,00	133.066,78		
	<u>808.875,32</u>	<u>977.555,10</u>		
			0,00	328.346,13
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1. Raw materials, consumables and supplies	946.566,44	1.057.434,68	281.247,99	10.000,00
2. Finished goods and merchandise	393.155,33	528.808,18	687.950,65	603.336,90
	<u>1.339.721,77</u>	<u>1.586.242,86</u>		
<b>II. Accounts receivable and other assets</b>				
1. Trade receivables with remaining term of more than one year: EUR 0,00; prev. year EUR 0,00	1.192.898,92	1.333.418,48	1.436.025,00	550.854,00
2. Receivables from affiliated companies with remaining term of more than one year: EUR 0,00; prev. year EUR 0,00	41.328,00	66.669,75	33.530,93	36.735,86
3. Other assets with remaining term of more than one year: EUR 0,00; prev. year EUR 0,00	62.483,69	35.370,55		
	<u>1.296.710,61</u>	<u>1.435.458,78</u>	2.438.754,57	1.529.272,89
<b>III. Cash-in-hand, central bank balances, bank balances and cheques</b>	811.855,44	6.953,70		
	<u>18.219,85</u>	<u>18.776,12</u>		
<b>C. Prepaid expenses</b>				
	<u>4.406.913,12</u>	<u>4.209.042,96</u>	<u>4.406.913,12</u>	<u>4.209.042,96</u>

**Profit and Loss Account**  
**Bremer Pharma GmbH**  
**from April 1<sup>st</sup>, 2017 to March 31<sup>st</sup>, 2018**

	Business year		Previous year
	EUR	EUR	EUR
1. Revenue	6.660.940,44		7.275.574,42
2. Increase or decrease in finished goods inventories and work in progress	-144.764,38		-71.515,64
3. Other operating income	98.591,70		106.475,45
thereof from currency translation: EUR 27.126,54; prev. year EUR 20.553,33			
4. Operating income		6.614.767,76	7.310.534,23
5. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	3.191.986,18		3.456.279,90
b) Cost of purchased services	65.711,77		62.092,27
		3.257.697,95	3.518.372,17
6. Gross income		3.357.069,81	3.792.162,06
7. Personnel expenses			
a) Wages and salaries	1.765.393,89		1.691.919,69
b) Social security, post-employment and other employee benefit costs	342.483,56		333.346,84
thereof for old age pensions: EUR 4.800,48; prev. year EUR 3.710,99			
		2.107.877,45	2.025.266,53
8. Depreciation, amortisation and write-downs of intangible fixed assets and tangible fixed assets		225.117,15	225.956,74
9. Other operating expenses		1.814.542,95	1.705.397,63
thereof from currency translation: EUR 21.725,41; prev. year EUR 39.570,50			
10. Other interest and similar income		373,03	753,87
11. Interest payable and similar expenses		7.337,19	8.369,73
12. Result after income taxes		-797.431,90	-172.074,70
13. Other taxes		3.994,12	3.909,12
14. Net income / net loss for the year		-801.426,02	-175.983,82

**Bremer Pharma GmbH, Warburg****Notes to the annual financial statements for the financial year from April 1st, 2017 to March 31st, 2018****1. Accounting policies**

Bremer Pharma GmbH, Warburg, is registered with the commercial register of the Paderborn Local Court under the number HRB 4902. The annual financial statement as of March 31st, 2018 was drawn up pursuant to §§ 242 et seqq. and §§ 264 et seqq. HGB. According to § 264 subsection 1 vs. § 267 subsection 1 HGB regulations for small capital companies apply.

**Intangible assets** acquired are valued at cost and, as far as depreciable, reduced by scheduled depreciation amounts.

Item	Useful Life
Computer Software	3 years
Marketing Authorizations	2 years to 10 years
Unlimited Certificates	5 years

**Tangible fixed assets** are valued at cost and, as far as depreciable, reduced by scheduled depreciation amounts in line with expected useful life. Depreciation is provided using straight-line method.

Item	Useful Life
Buildings	50 years
Hall Extension	25 years
Softening Plants	12 years
Filling Line	10 years
Ventilation System	10 years
Climate Chambers	8 years
Laboratory Equipment	5 years
Production Equipment	8 years
Lifting Carts & Forklifts	8 years
IT Equipment	3 years
Office Furniture	13 years

Currently there are no fixed assets with major components, which have significantly different patterns of consumption of economic benefits, or which will have a significant residual value after expiration of the estimated depreciation period. Land is not depreciated.

**Raw materials and supplies** are valued at cost. All identifiable risks resulting from above average storages periods, reduced usability or lower replacement costs are taken into account by appropriate depreciations.

**Finished products** are valued at cost. Production costs include direct material costs and material overhead costs as well as direct labor costs and manufacturing overheads.

**Raw material, supplies and finished products**, which cannot be allocated to individual batches, are determined on FIFO method.

**Receivables and other current assets** are reported at nominal value. Appropriate specific provisions for specific doubtful debts are set up for all high risk items. Appropriate general provisions for doubtful debts are set up with regard to general risk of debtor's default.

Pursuant to § 256a phrase 2 HGB trade receivables originally in **foreign currency** are valued at average spot exchange rate at reporting date.

The receivables from affiliated companies relate without exception to **receivables due from the parent company**, Cadila Healthcare Limited.

**Liquid funds** are valued at nominal value.

**Deferred charges and accrued income** refers to accrual accounting of other operational expenses.

**Other provisions** take into account all identifiable risks and contingent liabilities at their expected settlement amounts by taking expected future changes in prices and as would be deemed appropriate using reasonable commercial judgement.

**Liabilities** are reported at settlement value.

Pursuant to § 256a phrase 2 HGB trade payables originally in **foreign currency** are valued at average spot exchange rate at reporting date.

## **2. Comments on certain items of balance sheet and profit and loss account**

Pursuant to § 268 subsection 2 HGB development of fixed assets is provided by **asset analysis** following.



## Development of fixed assets from April 1st, 2017 to March 31st, 2018

	Acquisition and production costs				Depreciations				Book values	
	as of 01.04.2017 EUR	additions FY EUR	adjustments FY EUR	disposals FY EUR	as of 31.03.2018 EUR	as of 01.04.2017 EUR	additions FY EUR	disposals FY EUR	as of 31.03.2018 EUR	as of 01.04.2017 EUR
Acquired concessions, industrial and similar rights and assets, and licenses in such rights and assets	444.650,17	488,26	3.991,25	0,00	449.129,68	375.741,18	28.778,69	0,00	44.609,81	68.908,99
Prepayments on intangible assets	115.147,41	12.368,11	-3.991,25	36.603,95	86.920,32	86.920,32			86.920,32	115.147,41
Land, land rights and buildings, including buildings on third-party land	1.674.561,17	0,00	131.381,78	0,00	1.805.942,95	1.362.704,85	48.896,78	0,00	394.341,32	311.856,32
Technical equipment and machinery	3.389.000,70	6.162,42	0,00	0,00	3.395.163,12	2.949.031,70	113.014,42	0,00	333.117,00	439.969,00
Other equipment, operating and office equipment	879.300,73	19.311,26	0,00	0,00	898.611,99	786.637,73	34.427,26	0,00	77.547,00	92.663,00
Prepayment on tangible assets and assets under construction	133.066,78	2.185,00	-131.381,78	0,00	3.870,00	3.870,00			3.870,00	133.066,78
	6.635.726,96	40.515,05	0,00	36.603,95	6.639.638,06	5.474.115,46	225.117,15	0,00	940.405,45	1.161.611,50

**Liabilities** show following terms:

	term			Total	
	up to 1 year k€	1 to 5 years k€	more than 5 years k€	2017/18 k€	2016/17 k€
Liabilities to banks	0	0	0	0	328
Payments received on account of orders	281	0	0	281	10
Trade payables	688	0	0	688	603
Payables to affiliated companies	1.436	0	0	1.436	551
Other liabilities	34	0	0	34	37
(of which taxes)	(15)	0	0	(15)	(14)
(of which relating to social security and similar obligations)	(3)	0	0	(3)	(4)
<b>Total</b>	<b>2.439</b>	<b>0</b>	<b>0</b>	<b>2.439</b>	<b>1.529</b>

### 3. Additional information

In the financial year 2017/18 the average number of employees in the company was 61 (previous year: 58).

The company is included in the **consolidated financial statements** of the **parent company** Cadila Healthcare Limited, Ahmedabad, India (smallest consolidated group).

**Managing Director** of the company is Holger Kiel, commercial manager, Bremerhaven.

### 4. Events after Balance sheet date

Cadila Healthcare Limited, India ('the Seller') together with Zydus International Private Limited, Ireland ('the Lender'), has entered into Share and Loan Purchase Agreement, dated 17th April, 2018 ('Closing Date'), with Alivira Animal Health Limited, Ireland ('the Purchaser') and the Company, wherein the Seller has sold its 100% equity holding in the Company to the Purchaser with effect from 01st April, 2018 ('Effective Date') and the Lender has transferred its outstanding loan together with accrued interest to the Purchaser as of the Effective Date.

Warburg, April 23<sup>rd</sup>, 2018



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Management of the company