

Etna Biotech S.R.L.
Balance Sheet as at December 31, 2016

Particulars	Note No.	EUR- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
ASSETS:					
Non-Current Assets:					
Property, Plant and Equipment	1	93	104	6,647	7,555
Other Intangible Assets	1	5	5	357	363
Financial Assets:					
Other Financial Assets	2	607	511	43,389	37,111
		705	620	50,393	45,029
Current Assets:					
Financial Assets:					
Cash and Cash Equivalents	3	37	282	2,645	20,481
Total		742	902	53,038	65,510
EQUITY AND LIABILITIES:					
Equity:					
Equity Share Capital	4	90	90	6,433	6,537
Other Equity	5	256	211	18,298	15,323
		346	301	24,731	21,860
Non-Current Liabilities:					
Financial Liabilities:					
Other Financial Liabilities	6	-	214	-	15,543
Provisions	7	231	217	16,512	15,760
		231	431	16,512	31,303
Current Liabilities:					
Financial Liabilities:					
Trade Payables	8	16	44	1,144	3,196
Other Financial Liabilities	9	149	126	10,651	9,151
		165	170	11,795	12,347
Total		742	902	53,038	65,510
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 19				

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

Particulars	Note No.	EUR- Thousands		INR- Thousands	
		Year ended December 31			
		2016	2015	2016	2015
REVENUE:					
Revenue from Operations	10	552	654	41,024	46,545
EXPENSES:					
Employee Benefits Expense	11	330	335	24,525	23,842
Finance Costs	12	1	2	74	142
Depreciation, Amortisation and Impairment expenses	1	11	8	818	569
Other Expenses	13	165	267	12,263	19,002
Total Expenses		507	612	37,680	43,555
Profit for the year		45	42	3,344	2,990
OTHER COMPREHENSIVE INCOME:					
Other Comprehensive Income for the year, net of tax		-	-	-	-
Total Comprehensive Income for the year		45	42	3,344	2,990
Basic & Diluted Earning per Equity Share [EPS] [in Euro / Rupees]	14	50	47	3,716	3,322
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 19				

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

Etna Biotech S.R.L.
Statement of Change in Equity for the year ended December 31, 2016

a Equity Share Capital:	No. of Shares	EUR- Thousands	INR- Thousands
Equity Shares of EUR 100/- each, Issued, Subscribed and Fully Paid-up:			
As at December 31, 2014	900	90	6,867
Add [Less]: During the year	-	-	-
As at December 31, 2015	900	90	6,537
Add [Less]: During the year	-	-	-
As at December 31, 2016	900	90	6,433

	EUR- Thousands	
b Other Equity:	Retained Earnings [Note-5]	Total
As at December 31, 2014	169	169
Add: Profit for the year	42	42
As at December 31, 2015	211	211
Add: Profit for the year	45	45
As at December 31, 2016	256	256
	-	-

	INR- Thousands		
	Foreign EUR Translation Reserve [Note-5]	Retained Earnings [Note-5]	Total
As at December 31, 2014	(872)	13,795	12,923
Add: Profit for the year	-	2,990	2,990
Other Credit/ [Debit] during the year #	(590)	-	(590)
As at December 31, 2015	(1,462)	16,785	15,323
Add: Profit for the year	-	3,344	3,344
Other Credit/ [Debit] during the year #	(369)	-	(369)
As at December 31, 2016	(1,831)	20,129	18,298
# Includes adjustments on account of exchange rate translation differences.			-

<p><u>As per our report of even date</u> For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W</p> <p>Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 25, 2017</p>	<p>For and on behalf of the Board</p> <p>Director</p>
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I-Company overview:

Etna Biotech S.R.L. is a Research Centre headquartered in Catania, Italy with key competencies in researching and developing vaccines and immunotherapeutic for infectious diseases and other chronic illnesses. Etna Biotech has been acquired in 2008 by Zydus International Private Limited, incorporated in the Republic of Ireland, which is a subsidiary of Cadila Healthcare Limited, India.

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

These financial statements are prepared in accordance with current legislation of Italy. The valuation criteria of financial statements have been prepared based on the principle of prudence and the time period principle on the assumption that the business is a going concern.

2 Reporting Currency Translations:

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 Use of Estimates:

The preparation of the financial statements in accordance with accounting practices adopted in Italy requires, the Management to make estimates and assumptions in respect of certain items like provisions for doubtful debts, impairment of Property, Plant and Equipment etc. that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting period. Liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Property, Plant and Equipment and Depreciation:

- A Tangible assets are recognized at historical cost, meaning by this term, the price paid to third parties for the purchase of property, inclusive of any directly allocable ancillary costs. Any costs incurred after acquisition are recognised as an increase in the carrying value of the element to which they refer, when generate future benefits in terms of production capacity, safety or useful lives.
- B All other costs are recognised to the Statement of Profit and Loss in the period in which they are incurred.
- C Depreciation is calculated in equal amounts.
- D The depreciation rates reflect the estimated useful life of the assets in accordance with tax law.
- E There were no accelerated depreciation.
- F Depreciation begins when the asset is ready for use and it ends when the asset is sold or fully amortized.

5 Revenue Recognition:

- A Revenue and Income from Services are recognised on an accrual basis.
- B Interest income is recognised on time proportionate basis.
- C Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exist.

6 Impairment of Assets:

The Company, at each balance sheet date, assesses whether there is any indication of impairment on any asset. If such indication exists, assets are impaired by comparing carrying amount of each asset to the recoverable amount being higher of the net selling price or value in use. Value in use is determined from the present value of the estimated future cash flow from the continuing use of the assets.

7 Provision for Employee Benefits:

This provision represents the debt accrued in respect of all employees in accordance with law and with current national labour contracts and includes all forms of remuneration that are paid out to employees on an ongoing basis.

8 Accounting for Government Grant:

Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received. Government grants related to revenue are recognised on a systematic and gross basis in the statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.

9 Accruals and deferrals:

These include items of cost and revenue that extend over two or more years, following accrual basis accounting principle.

10 Income taxes:

The taxes are allocated in accordance with the principle of competence :

- Provisions for taxes paid or to be paid for the period, determined in accordance with the rates and regulations.

Etna Biotech S.R.L.
Notes to the Financial Statements

Note: 1: Property, Plant and Equipment :

	Property, Plant and Equipment			Intangible Assets
	Plant and Equipment	Furniture and Fixtures	Total	Technical Know-how
	EUR- Thousands			EUR- Thousands
Gross Block:				
As at December 31, 2014	4	201	205	5
Additions	1	34	35	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2015	5	235	240	5
Additions	-	-	-	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2016	5	235	240	5
Depreciation and Impairment:				
As at December 31, 2014	1	127	128	-
Charge for the year	-	8	8	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2015	1	135	136	-
Charge for the year	-	11	11	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2016	1	146	147	-
Net Block:				
As at December 31, 2015	4	100	104	5
As at December 31, 2016	4	89	93	5
	Plant and Equipment	Furniture and Fixtures	Total	Technical Know-how
	INR- Thousands			INR- Thousands
Gross Block:				
As at December 31, 2014	305	15,336	15,641	382
Additions	72	2,420	2,492	-
Disposals	-	-	-	-
Other adjustments	(14)	(687)	(701)	(19)
As at December 31, 2015	363	17,069	17,432	363
Additions	-	-	-	-
Disposals	-	-	-	-
Other adjustments	(6)	(271)	(277)	(6)
As at December 31, 2016	357	16,798	17,155	357
Depreciation and Impairment:				
As at December 31, 2014	76	9,690	9,766	-
Charge for the year	-	569	569	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	(3)	(454)	(457)	-
As at December 31, 2015	73	9,805	9,878	-
Charge for the year	-	818	818	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	(2)	(187)	(189)	-
As at December 31, 2016	71	10,436	10,508	-
Net Block:				
As at December 31, 2015	290	7,264	7,555	363
As at December 31, 2016	286	6,362	6,647	357

Note: Other adjustments include adjustments on account of exchange rate translation differences.

Etna Biotech S.R.L.
Notes to the Financial Statements

	EUR- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
Note: 2-Other Financial Assets:				
[Unsecured, Considered Good unless otherwise stated]				
Balances with Statutory Authorities	607	511	43,389	37,111
Total	607	511	43,389	37,111
Note: 3-Cash and Cash Equivalents:				
Balances with Banks	37	282	2,645	20,481
Total	37	282	2,645	20,481
Note: 4-Equity Share Capital:				
Authorised:				
900 [as at December 31, 2015: 900] Equity Shares of € 100/- each	90	90	6,433	6,537
	90	90	6,433	6,537
Issued, Subscribed and Fully Paid-up Equity Shares:				
900 [as at December 31, 2015: 900] Equity Shares of € 100/- each	90	90	6,433	6,537
	90	90	6,433	6,537
A The reconciliation of the number of Shares outstanding as at December 31, 2016 and 2015 is as under:				
Number of shares at the beginning	900	900		
Add: Shares issued during the year	-	-		
Less: Shares redeemed during the year	-	-		
Number of shares at the end	900	900		
B The Company has only equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of € 100/- each, fully paid, held by Holding Company, Zyodus 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	900	900		
% to total share holding	100%	100%		
Note: 5-Other Equity:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet			(1,462)	(872)
Add: Exchange Rate differences on translation to INR			(369)	(590)
	-	-	(1,831)	(1,462)
Retained Earnings:				
Balance as per last Balance Sheet	211	169	16,785	13,795
Add: Profit for the year	45	42	3,344	2,990
Total	256	211	18,298	15,323
Note: 6-Other Financial Liabilities:				
Others	-	214	-	15,543
Total	-	214	-	15,543
Note: 7-Provisions:				
Provision for Employee Benefits	216	202	15,440	14,671
Other long term provisions	15	15	1,072	1,089
Total	231	217	16,512	15,760
Note: 8-Trade Payables:				
Others	16	44	1,144	3,196
Total	16	44	1,144	3,196
Note: 9-Other Financial Liabilities:				
Provision for Expenses	149	126	10,651	9,151
Total	149	126	10,651	9,151

Etna Biotech S.R.L.
Notes to the Financial Statements

	EUR- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Note: 10-Revenue from Operations:				
Sale of Services	301	300	22,370	21,351
Government Grants [Refer Note : 17]	251	354	18,654	25,194
Total	552	654	41,024	46,545
Note: 11-Employee Benefits Expense:				
Salaries and wages	239	235	17,762	16,725
Contribution to provident and other funds	84	92	6,243	6,548
Staff welfare expenses	7	8	520	569
Total	330	335	24,525	23,842
Note: 12-Finance Cost:				
Bank commission & charges	1	2	74	142
Total	1	2	74	142
Note: 13-Other Expenses:				
Research Materials	47	61	3,493	4,341
Rent	37	38	2,750	2,704
Repairs to Others	-	4	-	285
Traveling Expenses	4	4	297	285
Legal and Professional Fees	11	8	818	569
Miscellaneous Expenses	66	152	4,905	10,818
Total	165	267	12,263	19,002
Note: 14-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	45	42	3,344	2,990
B Basic and weighted average number of Equity shares outstanding during the year	900	900	900	900
	EUR		INR	
C Nominal value of equity share	4	4	3716	3322
D Basic & Diluted EPS	50	47	3716	3322
Note: 15-Segment Information:				
The Chief Operating Decision Maker [CODM] review the Company as single segment, namely, "Pharma Research".				
Note: 16-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 [India]		
c 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		ZAHL B.V. [the Netherlands]		
ZyduS Netherlands B.V. [the Netherlands]		ZAHL Europe B.V. [the Netherlands]		
ZyduS Healthcare (USA) LLC [USA]		Bremer Pharma GmbH [Germany]		
ZyduS Healthcare Philippines Inc [Philippines]		Nesher Pharmaceuticals (USA) LLC [USA]		
ZyduS Pharmaceuticals (USA) Inc.[USA]		ZyduS Worldwide DMCC [Dubai]		
ZyduS Nikkho Farmaceutica Ltda. [Brazil]		ZyduS Discovery DMCC [Dubai]		
Laboratorios Combix S.L. [Spain]		ZyduS France, SAS [France]		
ZyduS Lanka (Private) Limited [Srilanka]		ZyduS Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]		
d Directors:				
Mr. Reinhard Glueck		Mr. Pradip Solanki		
Mr. David Blanksby [resigned w.e.f 14th March, 2017]		Mr. Ashish Kalawatia [appointed w.e.f 16th March, 2017]		

Etna Biotech S.R.L.
Notes to the Financial Statements

Note: 16-Related Party Transactions-Continued:

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 16 – A – [b]

	<u>Value of Transactions</u>			
	<u>EUR- Thousands</u>	<u>Year ended December 31</u>		<u>INR- Thousands</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales				
Services:				
Cadila Healthcare Limited	301	300	22,370	21,351

- b There are no transactions with the parties referred to in item no. 16 - A [a, c and d]

Note: 17

The Company has been awarded grants for two R & D projects by the European Union Authorities. The Company has right to receive Grant from the Authorities and has obligation to carry out R&D activities on the said two projects and incur expenses for the projects. As on 31st December, 2016, the Company is eligible to receive the maximum grant of Eur1525 K on the said two projects, subject to fulfillment of the conditions attached to the Grant.

Note: 18 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 Etna Biotech S.R.L. for Cash Consideration. Pursuant to this, Etna Biotech S.R.L. has become direct subsidiary of Zydus Worldwide DMCC [Dubai].

Note: 19

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 19 to the Financial Statements

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

Etna Biotech S.R.L.
Cash Flow Statement for the year ended December 31, 2016

Particulars	EUR- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Profit before tax	45	42	3,344	2,990
Adjustments for:				
Depreciation, Impairment and Amortisation expenses	11	8	818	569
Provisions for employee benefits	14	(1)	1,040	(71)
Other Provisions	-	15	-	1,067
Total	25	22	1,858	1,565
Operating profit before working capital changes	70	64	5,202	4,555
Adjustments for:				
[Increase] in other financial asset	(96)	(144)	(7,135)	(10,248)
[Decrease] in trade payables	(28)	(501)	(2,081)	(35,656)
Increase in other current liabilities	23	119	1,709	8,469
Increase/ [Decrease] in other long term liabilities	(214)	95	(15,904)	6,761
Total	(315)	(431)	(23,411)	(30,674)
Net cash used in operating activities	(245)	(367)	(18,209)	(26,119)
B Cash flows from investing activities:				
Purchase of Property, Plant and Equipment	-	(35)	-	(2,491)
Net cash used in investing activities	-	(35)	-	(2,491)
C Cash flows from financing activities:				
Net cash used [from] in financing activities	-	-	-	-
Net [Decrease] in cash and cash equivalents	(245)	(402)	(18,209)	(28,610)
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	372	(3,097)
Cash and cash equivalents at the beginning of the year	282	684	20,481	52,189
Cash and cash equivalents at the end of the year	37	282	2,645	20,481

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 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