

Report of the statutory auditor

with financial statements as of 31 March 2016 of

CARBOGEN AMCIS Ltd., Bubendorf

To the General Meeting of
CARBOGEN AMCIS Ltd., Bubendorf

Aarau, 24 June 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of CARBOGEN AMCIS Ltd., Bubendorf, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 March 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2016 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.


In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.


Other matter

The financial statements of CARBOGEN AMCIS Ltd., Bubendorf for the year ended 31 March 2015 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 12 June 2015.

Ernst & Young Ltd



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Kaspar Streiff
Licensed audit expert

Enclosures

- ▶ Financial statements (balance sheet, income statement, cash flow statement and notes)
- ▶ Proposed appropriation of available earnings

31 March 2016

31 March 2015

CHF

CHF

BALANCE SHEET AS OF 31 MARCH 2016 AND 31 MARCH 2015

ASSETS

Cash and cash equivalents	1'572'334	-
Trade accounts receivable	7'385'267	8'429'863
<i>from third parties</i>	7'385'267	8'429'863
Other short-term receivables	19'323'007	26'973'134
<i>from group companies</i>	4'432'782	8'738'895
<i>from shareholder</i>	9'378'395	13'179'526
<i>from third parties</i>	5'511'830	5'054'712
Inventories and non-invoiced services	22'398'090	17'962'874
<i>Raw materials and supplies</i>	6'346'068	10'260'241
<i>Work in progress</i>	21'508'480	11'780'883
<i>Finished goods</i>	5'191'298	4'171'735
<i>Provision for inventory</i>	-10'647'756	-8'249'986
Prepaid expenses and accrued income	4'402'898	3'082'358
Total current assets	55'081'595	56'448'228
Property, plant and equipment	49'314'830	48'231'483
<i>Office and IT equipment</i>	1'299'506	221'890
<i>Machinery and lab equipment</i>	19'526'311	16'133'731
<i>Building and fixtures</i>	19'487'939	14'765'037
<i>Fixed assets under construction</i>	8'619'398	16'688'825
<i>Spare parts</i>	381'676	422'000
Intangible assets	1	1
<i>Software</i>	1	1
Total non-current assets	49'314'831	48'231'484
TOTAL ASSETS	104'396'426	104'679'712

LIABILITIES AND SHAREHOLDERS' EQUITY

Trade accounts payable	4'739'539	3'595'251
<i>due to third parties</i>	4'739'539	3'595'251
Short-term interest-bearing liabilities	11'634'411	11'175'521
<i>due to third parties</i>	11'634'411	11'175'521
Other short-term liabilities	6'459'217	9'773'184
<i>due to group companies</i>	5'395'720	6'728'386
<i>due to third parties</i>	1'063'497	3'044'798
Customer deposits	19'160'154	12'586'325
Accrued expenses and deferred income	11'504'184	20'777'968
<i>Other accrued expenses</i>	7'488'574	18'320'148
<i>Accrued income/capital taxes</i>	4'015'610	2'457'820
Total current liabilities	53'497'505	57'908'249
Long-term interest-bearing liabilities	615'000	635'000
Provisions	5'169'829	5'244'350
<i>Asset retirement obligation</i>	5'169'829	5'244'350
Total non-current liabilities	5'784'829	5'879'350
Share capital	1'450'000	1'450'000
Legal retained earnings	725'000	725'000
Voluntary retained earnings	33'717'113	33'676'218
Net profit for the year	9'221'979	5'040'895
Total shareholders' equity	45'114'092	40'892'113
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	104'396'426	104'679'712

INCOME STATEMENT FOR FY 2015/16 AND 2014/15

Revenue from sale of goods and services	111'715'939	111'010'528
<i>Income processing</i>	55'522'386	47'356'021
<i>Income material</i>	14'180'627	11'144'156
<i>Income infrastructure</i>	7'665'563	7'758'881
<i>Income standard products</i>	34'347'363	44'751'469
Other operating income	6'805'556	2'463'641
Refund from insurance	5'000'000	6'800'000
Total revenue	123'521'495	120'274'169
Stock movements	-2'045'926	2'362'893
Cost of sales	33'138'101	34'096'255
Total purchases	31'092'175	36'459'148
Gross profit	92'429'320	83'815'021
Staff salaries	43'560'197	38'398'996
Social insurances	4'464'728	4'423'938
Pension costs	2'860'785	2'569'034
Other personnel expenses	1'754'602	1'492'828
Rent, rates and services	7'767'807	7'556'219
Promotions and advertising	843'627	880'617
Travel, accomodation and entertainment	1'599'233	1'490'277
IT expenses	1'826'716	1'599'418
General and administration	1'432'856	1'214'641
Legal and consulting	1'005'276	1'527'982
Repairs and maintenance	6'796'913	6'590'579
Insurance	660'161	508'139
Depreciation and impairment losses on property, plant and equipment	6'442'780	7'491'297
Total operating expenses	81'015'680	75'743'965
Operating result	11'413'640	8'071'056
Financial income	886'322	392'985
Financial expenses	-733'390	-2'237'359
Profit before taxes	11'566'572	6'226'683
Income taxes	2'344'593	1'185'788
Net profit for the year	9'221'979	5'040'895

CASH FLOW STATEMENT FOR FY 2015/16**Cash flows from operating activities**

Net profit for the year	9'221'979
Depreciation and impairment losses on property, plant and equipment	6'442'780
Changes in asset retirement obligation	-74'521
Own work capitalized	-712'761
Changes in trade accounts receivable	1'044'596
Changes in inventory	-4'435'216
Changes in spare parts	40'324
Changes in prepaid expenses and accrued income	-1'320'540
Changes in other short-term receivables	7'650'127
Changes in trade accounts payable	1'144'288
Changes in other short-term liabilities	-3'313'967
Changes in customer deposits	6'573'829
Changes in accrued expenses and deferred income	-9'273'783

Total cash flows from operating activities	12'987'135
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Cash flows from investing activities

Acquisition of property, plant and equipment	-6'853'690
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Total cash flows from investing activities	-6'853'690
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Free Cash flow	6'133'444
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Cash flows from financing activities

Cash inflows / (cash outflows) from short-term interest-bearing liabilities	458'890
Cash inflows / (cash outflows) from long-term interest-bearing liabilities	-20'000
Distribution of profits to shareholders (dividends to DPSL)	-5'000'000

Total cash flows from financing activities	-4'561'110
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Increase in cash and cash equivalents	1'572'334
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Cash and cash equivalents at beginning of period	0
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Cash and cash equivalents at end of period	1'572'334
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Notes to the 2015/16 financial statements

1 Applied principles

Applied accounting law

These financial statements were prepared according to the Swiss Law on Accounting and Financial Reporting (32th title of the Swiss Code of Obligations) for the first time. In order to ensure the comparability, the previous year's data in the balance sheet and income statement has been adjusted to comply with the new presentation requirements. Significant valuation principles have been applied in the preparation of these financial statements which are not prescribed by law are described below. In accordance with transitional rules on the first-time adoption, prior-year figures of the cash flow statement have been dispensed.

Valuation principles

Assets are valued at cost. Liabilities are recorded at nominal value.

All assets and liabilities in foreign currencies are translated by applying the exchange rate prevailing on the balance sheet date. Exchange rate differences are recognized in profit and loss.

Earnings and expenses originating in foreign currencies are translated at the exchange rate prevailing on the respective transaction dates.

The financial statements require estimates and judgments by the board of directors, which may affect the reported amounts of assets, liabilities and contingent liabilities at the closing date, as well as income and expenses during the reporting period. The board of directors thereby decides in its own discretion on the use of existing legal valuation and accounting leeway. To ensure the continued prosperity of the company within the prudence principle it is possible that higher depreciation, allowances and accruals than operationally necessary might be recorded.

These financial statements were created under the historical cost principle and the board of directors believes that the company will continue to operate in the foreseeable future. In the presentation of prior year information, the same principles have been applied.

Trade accounts receivable

Trade receivables and other short-term receivables are carried at their nominal value. Impairment charges are calculated for these assets on an individual basis or with an aging older than 120 days; for the remainder, a general allowance of 5% or 10% has been made for national and international receivables.

Valuation of inventories

Inventories are valued at the lower of cost (acquisition or manufacturing cost) and net realisable value. Cost comprises all directly attributable costs of materials and production, and overheads necessary to bring the inventories to their present location and condition. Cost is determined using the FIFO method. Net realisable value is the estimated selling price less the estimated cost to completion and the estimated selling cost. Impairment charges are made for unsellable inventory or inventory with a low turnover. Furthermore, the company has made use of a general value adjustment (of 31%) admissible under tax law.

Property, plant and equipment / Intangible assets

Property, plant and equipment are measured at cost and depreciated over their estimated useful life on a straight line basis, with the depreciation charged to the income statement.

	Years
- Office and IT equipment	3 – 10
- Machinery and lab equipment	5 – 15
- Building and fixtures	15 – 40

Additional costs that extend the useful economic life of property, plant and equipment are capitalised separately. The value of property, plant and equipment is reviewed whenever events or changes in circumstances indicate that the carrying amount may be impaired.

Notes to the 2015/16 financial statements

Revenue recognition / work in progress

Revenues comprise all proceeds from the sale of services and goods. Revenues from sale of goods are calculated on the basis of the product actually provided to the customer up to the balance sheet date. These revenues are recognised if the amount of revenue can be reliably measured and it is sufficiently probable that the economic benefits will flow to the company.

Revenues from services are recognised on the basis of customer-specific contracts using the percentage of completion method. For each order, the percentage of completion is determined on the basis of the costs incurred in relation to the estimated total costs. If the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable and the contract costs are recognised as an expense in the period in which they are incurred. This corresponds to valuation at manufacturing cost. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Leases

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognised as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognised in the balance sheet.

2 Assets pledged to secure own liabilities, as well as assets with retention of title

Pledge of all current and future goods (like raw materials, finished goods, etc.) held and fully owned by CARBOGEN AMCIS AG and stored in the warehouses located in Switzerland as per a separate pledge agreement ("Sicherungsvertrag betreffend Warenlager").

Assignment of all current and future receivables in connection with the business operations as per the "General declaration of assignment".

	2015/2016	2014/2015
Trade accounts receivable and other short-term receivables	26'708'273	35'402'997
Inventories and non-invoiced services	22'398'090	17'962'874

The company further agreed to a negative pledge clause on all its other assets.

Pledged assets (mortgage):

	2015/2016	2014/2015
Building Hauptstrasse 167, 4416 Bubendorf, Switzerland	1'133'996	1'158'248

3 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, is over 250.

4 Rental commitment

The minimum lease payments for office and production premises and non-cancellable rental agreements are:

	2015/2016	2014/2015
Up to 1 year	5'956'928	5'960'599
1 - 5 years	10'938'853	15'482'145
More than 5 years	-	-
Total	16'895'781	21'442'744

5 Residual amount of leasing obligations

The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follows:

	2015/2016	2014/2015
Up to 1 year	1'366'659	891'907
1 - 5 years	2'942'668	2'040'812
More than 5 years	17'902	35'197
Total	4'327'229	2'967'916

Notes to the 2015/16 financial statements

6 Interest-bearing Liabilities

	2015/2016	2014/2015
Up to 1 year	11'634'411	11'175'521
1 - 5 years	80'000	80'000
More than 5 years	535'000	555'000
Total	12'249'411	11'810'521

7 Liabilities to pension fund

As of 31 March 2016 as well as of 31 March 2015 there were no liabilities due to the pension fund.

8 Audit fees

	2015/2016	2014/2015
Audit services	100'116	139'000
Other services	-	-
Total	100'116	139'000

9 Foreign currencies

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

	2015/2016 profit and loss statement	Balance sheet as at 31 March 2016
1 USD	0.976	0.961
1 EUR	1.075	1.094
1 GBP	1.465	1.380

The exchange rates used for balance sheet items are the rates prevailing on March 31; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are average rates for the 2015/2016 financial year.

10 Guarantee infavour of third parties

CARBOGEN AMCIS AG has agreed to serve as a guarantor in a loan contract between ICICI Bank Limited, Bahrain and Dishman Pharma Solutions AG, Switzerland, whereby the latter is the borrower. The guarantee is limited to the maximum amount of unrestricted equity surplus, retained earnings (including the unrestricted portion of general and statutory reserves, other free reserves, retained earnings and, extent permitted by the applicable law, current net profits) available for distribution as dividends to the shareholder.

CARBOGEN AMCIS AG, Bubendorf

Proposed appropriation of retained earnings carried forward

The Board of Directors proposes the following appropriation of available earnings:

	31 March 2016	31 March 2015
	CHF	CHF
Voluntary retained earnings (carried forward)	33'717'113	33'676'218
Net profit for the year	9'221'979	5'040'895
Total available earnings	42'939'092	38'717'113
Dividends distributed to shareholders (see note)	-10'000'000	-5'000'000
Carried forward	<u>32'939'092</u>	<u>33'717'113</u>

Note

The dividend will be offset against the DPSL loan. The amount left will be paid in cash.