



OctoPlus N.V.

POSITION STATEMENT

13 December 2012

Relating to the recommended cash offer by Reddy Netherlands B.V. for all issued and outstanding ordinary shares with a nominal value of € 0.12 each in the capital of OctoPlus N.V.

*In accordance with article 18, paragraph 2 and annex G of the Dutch Public Offers Decree
(Besluit openbare biedingen Wft)*

*For the extraordinary general meeting of shareholders of OctoPlus N.V. to be held on 15 January 2013
at 14.00 hours CET at the offices of OctoPlus N.V., Zernikedreef 12, Leiden, the Netherlands*

IMPORTANT INFORMATION

This position statement (this **Position Statement**) has been published by the executive board and the supervisory board of OctoPlus N.V. (**OctoPlus** or the **Company**) for the sole purpose of providing information to its shareholders on the recommended cash offer (the **Offer**) by Reddy Netherlands B.V. (**Dr. Reddy's**), an indirect wholly-owned subsidiary of Dr. Reddy's Laboratories Ltd., to acquire all of the issued and outstanding ordinary shares with a nominal value of EUR 0.12 each (the **Shares**, and the holders of such Shares are referred to as the **Shareholders**) in the capital of OctoPlus, on the terms and subject to the conditions and restrictions contained in the offer memorandum published by Dr. Reddy's on 13 December 2012 (the **Offer Memorandum**), as required pursuant to article 18, paragraph 2 and Annex G of the Dutch Public Offers Decree (*Besluit openbare biedingen Wft*) (the **Decree**).

Any capitalized terms in this Position Statement (other than in **Annex I** (Fairness Opinion ABN AMRO Bank N.V.) and **Annex II** (Agenda Extraordinary General Meeting of Shareholders)) shall unless otherwise defined in this Position Statement, have the meaning attributed to them in Section 4 (*Definitions*) of the Offer Memorandum. Any reference in this Position Statement to defined terms in plural form shall constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by the use of a definition in singular form shall be deemed to have been made herein and the provisions hereof shall be applied as if such changes have been made.

This Position Statement does not constitute or form part of an offer to sell, or a solicitation of an offer to purchase, any securities to any person in any jurisdiction. This document is not for release, distribution or publication, in whole or in part, in Canada or Japan. This Position Statement is not subject to AFM approval.

This Position Statement is intended solely for Shareholders in connection with the Offer.

OctoPlus is exclusively responsible for the accuracy and completeness of the information contained in this Position Statement.

The information included in this Position Statement reflects the situation as of the date of this Position Statement. Except as otherwise required by applicable law, OctoPlus undertakes no obligation to update publicly or revise publicly any such information, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Position Statement. Under no circumstances may the issue and distribution of this Position Statement be interpreted as implying that the information contained herein is true and accurate on a later date than the date hereof. This Position Statement includes "forward-looking statements" including statements about the expected timing and completion of the Offer. Forward-looking statements involve known or unknown risks and uncertainty because these statements relate to events and depend on circumstances that all occur in the future. Generally, words such as "may", "should", "aim", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" and/or similar expressions identify forward-looking statements. OctoPlus believes the expectations reflected in such forward-looking statements are based on reasonable assumptions. Nevertheless, no assurance can be given that such statements will

be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. Any such forward-looking statements must be considered together with the fact that actual events or results may vary materially from such forward-looking statements, due to, among other things, political, economic or legal changes in the markets and environments in which OctoPlus does business, to competitive developments or risks inherent to OctoPlus' business plans and to uncertainties, risk and volatility in financial markets and other factors affecting OctoPlus.

This Position Statement is governed by the laws of the Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Position Statement. Accordingly, any legal action or proceedings arising out of or in connection with this Position Statement may be brought exclusively in such courts.

Copies of this Position Statement can be obtained free of charge via the website of OctoPlus (www.octoplus.nl).

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1 INTRODUCTION

On 22 October 2012, Dr. Reddy's and OctoPlus jointly announced their conditional agreement on the terms and conditions of the Offer (the **Merger Protocol**), in accordance with article 5, paragraph 1 and article 7, paragraph 4 of the Decree.

On 13 December 2012, Dr. Reddy's launched the Offer by making available to the Shareholders the Offer Memorandum.

The supervisory board (the **Supervisory Board**) and executive board of OctoPlus (the **Executive Board** and together with the Supervisory Board: the **Boards**) fully support the Offer and recommend the Shareholders to accept the Offer and tender their Shares under the Offer and vote in favor of the Governance Resolutions. For more detailed information regarding the Governance Resolutions reference is made to Section 6.16 (*EGM*) of the Offer Memorandum.

At the extraordinary general meeting of OctoPlus (the **EGM**) to be held on 15 January 2013 at 14:00 hours CET at the offices of OctoPlus, Zernikedreef 12, Leiden, the Netherlands - inter alia - the Offer will be discussed in accordance with article 18 of the Decree and the Governance Resolutions will be decided upon. Furthermore, at the EGM the decrease of OctoPlus' equity as well as any measures taken in connection therewith will be discussed in accordance with Section 2:108a of the Dutch Civil Code (the **DCC**).

In this Position Statement, the Boards would like to inform the Shareholders of the background of the proposed transaction, the key terms of the Offer and the reasons why the Boards fully support the Offer and all transaction contemplated therewith (the **Merger**) and recommend Shareholders to accept the Offer and tender their Shares pursuant to the Offer and vote their Shares in favor of the Governance Resolutions.

2 BACKGROUND

Since its establishment OctoPlus has focused on the formulation development and manufacturing of difficult-to-formulate complex injectable drugs. Initially OctoPlus acted as a service provider developing and manufacturing formulations of injectable drugs for the biotechnology and pharmaceutical industry. Later, OctoPlus also initiated the development of its own products in collaboration with partners based on drug delivery technology platforms like PolyActiveTM.

OctoPlus was listed on NYSE Euronext Amsterdam (**Euronext Amsterdam**) in October 2006 after the successful clinical development into phase I of Locteron, a controlled-release version of Interferon Alpha for the treatment of Hepatitis C. This product was developed in collaboration with Biolex Therapeutics, Inc. (**Biolex**). After successfully completing phase IIa clinical development of Locteron, OctoPlus was unable to obtain sufficient financing required for phase IIb clinical studies on Locteron. Due to these financial constraints, OctoPlus licensed Locteron to its collaboration partner Biolex in October 2008. As a result of this agreement, OctoPlus was paid for all further development and manufacturing work of Locteron. OctoPlus was also eligible to receive up to US\$ 149 million in milestone payments and double-digit royalties from Biolex. Simultaneously further internal product development was terminated. In 2008 and 2009 OctoPlus generated revenues of € 16.9 million and €

19.0 million respectively. A substantial part of these revenues were generated by the development and manufacturing of Locteron for phase IIb clinical studies. Biolex successfully completed phase IIb clinical studies at the end of 2010, which yielded strong clinical results. Thereafter Biolex attempted to license the product to a marketing partner. OctoPlus generated only marginal revenue from Biolex during 2010, 2011 and 2012. As a result of the development of all-oral treatments of Hepatitis C, Biolex was unsuccessful in securing a marketing partner. This ultimately resulted in Biolex filing for bankruptcy under Chapter 7 with the US Bankruptcy Court for the Middle District of North Carolina in July 2012.

After the licensing of Locteron to Biolex in 2008, OctoPlus focused exclusively on fee for service activities – and in particular the development and manufacturing of difficult to formulate injectables for paying customers – including Biolex. Since then, OctoPlus has strived to restructure the organization, streamline costs, increase the quality delivered and generate new business from both existing and new customers by leveraging the know-how and expertise of its employees as well as the drug delivery platforms. OctoPlus was severely affected by the negative impact that the economic crisis has had on its customers resulting in stable but low revenues during 2010 and 2011. The increased focus on business development and strengthening of the organization started to yield results since mid-2011. During the first half of 2012 OctoPlus generated over 29% revenue growth in its fee for service activities and generated three new specialty generics products.

Following the bankruptcy of Biolex in July 2012, the inability of the trustee to identify a successor to take over the development of Locteron created a challenging situation for OctoPlus. In particular the Company lost about € 15 million of expected cash flow over the next 12 months through the combined negative impact on cash of (i) the € 1.9 million write off of accounts receivables from Biolex, (ii) the further delay in the expected development and manufacturing revenue from Biolex, and (iii) the further delay in the expected US\$ 12 million milestone payment, to be received from Biolex, for the commencement of the phase III clinical study of Locteron. Combined, these factors caused that the road to being cash flow positive would be longer than previously estimated and would require additional financing resulting in significantly more dilution for Shareholders than was projected prior to the bankruptcy of Biolex. As a result, OctoPlus investigated several strategic alternatives to secure the achievement of OctoPlus' strategic objectives, resulting in indicative offers from two strategic partners of which the (intended) Offer by Dr. Reddy's on 22 October 2012 was selected as the best choice to serve the needs of all stakeholders of the Company, including the Shareholders, employees, clients and creditors.

3 THE BOARDS' CONSIDERATION REGARDING THE OFFER

The Boards have given due and careful consideration to both the non-financial and financial consequences of the Offer for the Company and its stakeholders (including the Shareholders), also in relation to assessing other strategic options, including other potential third party transactions. Throughout the process which led to the signing of the Merger Protocol and the Boards' decision to support the Offer and to recommend it to the Shareholders, the Boards have met on a frequent basis and have taken advice from financial and legal advisors.

3.1 The Boards' financial assessment of the Offer

The offer price of € 0.52 per Share (the **Offer Price**) represents a premium of:

- 30% over the € 0.40 closing price of the Shares on 19 October 2012, the last business day prior to the joint public announcement of the (intended) Offer; and
- 36% over the average closing price of the Shares of € 0.38 for the three months up to and including 19 October 2012.

Based on the net financial debt as per 30 June 2012, the aggregate Offer Price represents an enterprise value for OctoPlus of 5.0 times the 2011 revenue of € 7.7 million. The enterprise value has been calculated based on 52,673,974 Shares being issued and outstanding on 19 October 2012, the last business day prior to the joint public announcement of the (intended) Offer and net financial debt at 30 June 2012 of € 11.4 million.

The chart below shows the development of the Share price of OctoPlus on Euronext Amsterdam in the period of twelve months preceding 16 November 2012 (the date the request to the AFM to approve the Offer Memorandum was made).



In addition to the foregoing, the Boards have also considered the following in their financial assessment of the Offer:

1. The Fairness Opinion from ABN AMRO Bank N.V. (**ABN AMRO**) dated 21 October 2012 (the **Fairness Opinion**) provided to the Boards which states that – subject to the assumptions made, matters considered and limitations on the review undertaken in connection with such opinion – the Offer Price to be received by holders of Shares pursuant to the Offer was, as at 21 October 2012, fair from a financial point of view to such holders accepting the Offer.
2. At the date of the Merger Protocol, OctoPlus and Dr. Reddy's agreed on the key terms for entering into a business development agreement for investigational formulation research. Dr.

Reddy's will provide OctoPlus with fee for service and milestone payments as consideration for services to be rendered by OctoPlus for a maximum amount of € 2 million during the six months following 26 October 2012, the date on which the advance payment of € 2 million was made by a subsidiary of Dr. Reddy's. These payments are subject to certain development milestones, which, if not met, will result in the conversion of the payments into a loan. In case OctoPlus is not able to repay the loan, Dr. Reddy's may opt for conversion of the loan into newly issued Shares at the then prevailing share price. Dr. Reddy's and OctoPlus have worked out the key-terms into a business development agreement.

3. Before the public announcement of the (intended) Offer on 22 October 2012, Dr. Reddy's had already provided the Boards with the necessary comfort that Dr. Reddy's will have sufficient funds to finance the Offer. Dr. Reddy's will finance the Offer from its readily available funds and the financing of the Offer will not be subject to the consent of any third party and shall have no financing condition.
4. At the time of this Position Statement, there are no better offers for OctoPlus from a financial point of view that could provide the same degree of transaction certainty to the Company's stakeholders.

ABN AMRO acted as financial advisor to the Boards in connection to the Fairness Opinion for which it will receive a fee irrespective of whether or not the Offer is completed. The Fairness Opinion is attached hereto as **Annex I**.

The Boards confirm that OctoPlus has no other relations with ABN AMRO, except for a credit facility entered into with ABN AMRO on 9 July 2010 for working capital and investment purposes up to € 2 million and a financial lease entered into with ABN AMRO Lease N.V. in December 2008 for a period of five years in respect of a significant part of the equipment used in the manufacturing facilities for an amount of € 3.7 million. Furthermore, ABN AMRO is a minority Shareholder of 81,506 Shares representing 0.15% of the outstanding Shares as at the date of the Fairness Opinion, which Shares ABN AMRO received as part of its compensation for advisory services provided by its Corporate Finance & Capital Markets department to OctoPlus in connection with two prior unrelated transactions in 2009 and 2005.

Based on the Boards' experience, the Boards have concluded that, taking into account all circumstances, the Offer Price is fair to the Shareholders from a financial point of view.

3.2 The Boards' non-financial assessment of the Offer

The Boards have considered a number of significant non-financial aspects and potential benefits and advantages associated with the Offer. Please refer to Sections 6 (*Explanation and background of the Offer*) of the Offer Memorandum for a detailed overview of non-financial arrangements and agreements between Dr. Reddy's and OctoPlus.

3.2.1 Strategic rationale

Dr. Reddy's and OctoPlus believe their stakeholders will benefit from the Offer as it enables Dr. Reddy's to extend its expertise in drug formulation and injectables and OctoPlus to focus on long-term value creation instead of shorter-term public markets demand. It is the intention of both Dr. Reddy's and OctoPlus to strategically position OctoPlus and its business as a stand-alone research centre for drug formulation and injectables within the organization of Dr. Reddy's.

Dr. Reddy's aims to support OctoPlus with the realization of its strategy including in particular, the following items: (i) further expansion of its position in the difficult-to-formulate market for outsourced formulation development and clinical manufacturing of injectable therapeutics, (ii) further development and commercialization of its drug delivery technology platforms and (iii) development and manufacturing of specialty generics. In particular, the generics division of Dr. Reddy's has assigned OctoPlus to develop a number of specialty generics products starting immediately following the joint announcement of the (intended) Offer by Dr. Reddy's and OctoPlus under the business development agreement referred to in Section 3.1 (2).

3.2.2 Employment

Both Dr. Reddy's and OctoPlus acknowledge that a combination of their businesses and the delisting of OctoPlus may have some impact on the employment of the employees of OctoPlus and its group companies. At present, there are no plans to materially change the size of the labour force of OctoPlus and its subsidiaries. Over time the Offeror and OctoPlus might seek to reallocate personnel to other business areas within the Combined Group or decide that certain functions may no longer be required as a result of overlap of functions resulting from integration in the Dr. Reddy's group or as a result of general market conditions. OctoPlus' current employee consultation structure will remain unchanged (i.e. works council).

Dr. Reddy's and OctoPlus have agreed that Dr. Reddy's will respect existing rights of employees of the Company and the group companies, provided that pursuant to the Merger Protocol, OctoPlus and Dr. Reddy's agreed to terminate the Incentive Plans subject to the settlement of the Offer taking place. In order to terminate the Incentive Plans, the Supervisory Board shall resolve to accelerate the option exercise period to a period ending no later than five Business Days before the Closing Date during which holders of options can exercise their rights. Any options not exercised during such accelerated option exercise period shall lapse. The Company shall timely inform the holders of options of this procedure.

As a result of the termination of the Incentive Plans Mrs. S.M. Swarte and Mr. G. Moolhuizen shall not receive options to which they are entitled for their performance in the financial year 2012, but instead shall be compensated in cash for a maximum amount in the aggregate of € 6,679.92. The number of options to which each of them is entitled and therefore the amount of compensation each of Mrs. S.M. Swarte and Mr. G. Moolhuizen shall receive depends on certain pre-defined performance criteria for each person in the financial year 2012.

3.2.3 Other stakeholders

In addition to the above, Dr. Reddy's and OctoPlus have taken into account the effect of the Offer on other stakeholders of OctoPlus, such as customers and creditors, and confirm that they do not expect adverse consequences for these stakeholders as a result of the Offer and the Merger.

3.2.4 Delisting, squeeze-out proceedings and other post-closing measures

As soon as possible after the settlement of the Offer, Dr. Reddy's and OctoPlus intend to procure the delisting of the Shares from the regulated market operated by Euronext Amsterdam and the termination of the listing agreement between the Company and Euronext Amsterdam in relation to the listing of the Shares and have Dr. Reddy's, or any of its affiliates, acquire all Shares not yet owned by it and cause the Company to operate as a wholly-owned subsidiary within the group of Dr. Reddy's.

If, following the date of the settlement of the Offer (the **Settlement Date**) and, if applicable, the settlement of the Shares during the post closing acceptance period (*na-aanmeldingstermijn*), Dr. Reddy's and its affiliates, alone or together with the Company, hold at least 95% of the issued share capital (*geplaatst aandelenkapitaal*), Dr. Reddy's may commence a statutory squeeze-out procedure (*uitkoopprocedure*) in accordance with Section 2:92a or Section 2:201a of the DCC or the statutory public offer squeeze-out procedure (*uitkoopprocedure na openbaar bod*) in accordance with Section 2:359c of the DCC to acquire the Shares not tendered under the Offer. See for more information Section 6.11.3 (*Legal structure and corporate structure following the Offer*) of the Offer Memorandum.

In addition, following the Settlement Date, Dr. Reddy's shall be entitled to effect or cause to effect any other restructuring of the OctoPlus group for the purpose of achieving an optimal operational, legal, financial and/or fiscal structure: (i) a sale of all, or substantially all, of the assets and liabilities of OctoPlus to Dr. Reddy's or one of its affiliates; (ii) a subsequent public offer for any Shares held by minority Shareholders; (iii) a statutory cross-border or domestic (bilateral or triangular) legal merger (*juridische (drie hoeks-)fusie*) in accordance with Section 2:309 et seq of the DCC between OctoPlus, Dr. Reddy's and/or one or more affiliate of Dr. Reddy's; (iv) a statutory legal demerger of OctoPlus in accordance with Section 2:334a et seq of the DCC; (v) a contribution of cash and/or assets by Dr. Reddy's or by any affiliates of Dr. Reddy's in exchange for Shares or preference shares in OctoPlus' share capital, in which circumstances the pre-emptive rights (*voorkeursrechten*), if any, of minority shareholders of OctoPlus could be excluded; (vi) a distribution of proceeds, cash and/or assets to the Shareholders, which may take the form, but not exclusive, of a distribution out of reserves, an interim dividend, a dividend, reduction of capital or a liquidation distribution; (vii) a sale and transfer of assets and liabilities by Dr. Reddy's or any of its affiliates to any member of the OctoPlus group, or a sale and transfer of assets and liabilities by any member of the OctoPlus group to Dr. Reddy's or any of its affiliates; (viii) the conversion of OctoPlus into a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) or (other) amendments of OctoPlus' articles of association; (ix) any transaction between OctoPlus and Dr. Reddy's at terms that are not at arm's length; (x) any combination of the foregoing; or (xi) any transactions, restructurings, issuance of securities of any kind, procedures, actions, processes and/or proceedings in relation to OctoPlus and/or one or more of its affiliates required to effect the aforementioned objectives. See for more

information Section 6.11.3 (*Legal structure and corporate structure following the Offer*) of the Offer Memorandum.

3.2.5 Composition of the Boards

Executive Board

Dr. Reddy's and OctoPlus have agreed that the current members of the Executive Board, i.e. Mr. J.H. Egberts, Mrs. S.M. Swarte and Mr. G. Moolhuizen, will continue to serve as members of the Executive Board for a period of at least 180 days after the Settlement Date and that the current members of the Executive Board's right pursuant to their employment contracts to receive a severance payment in the event of a "change of control" (as described in OctoPlus' 2011 annual report on page 43, which is incorporated by reference herein) can be invoked in respect of the acquisition by Dr. Reddy's if the relevant member of the Executive Board resigns between 6 months and 12 months after the Settlement Date. The severance payments for Mrs. S.M. Swarte and Mr. G. Moolhuizen are equal to 1.5 month base salary for each year of service including holiday allowance plus the average annual incentive for the three calendar years preceding the termination per year employed. The severance payment for Mr. J.H. Egberts is equal to 12 months base salary including holiday allowance plus the average annual incentive for the three calendar years preceding the termination.

Supervisory Board

It is agreed in the Merger Protocol, that as from the Settlement Date, the Supervisory Board will be composed of two members designated by Dr. Reddy's, i.e. Mr. G.V. Prasad and Mr. R. Ananthanarayanan, and Mr. S. Van Reet, who will serve as independent supervisory director within the meaning of the Dutch Corporate Governance Code. Mr. G.V. Prasad shall be appointed as the chairman of the Supervisory Board.

In his position as independent member of the Supervisory Board, Mr. S. Van Reet shall monitor and protect the interests of all of the Company's stakeholders, including, in particular, the minority shareholders of the Company, if any.

3.2.6 Dutch Corporate Governance Code

Dr. Reddy's has agreed that as long as OctoPlus has minority shareholders and remains listed on Euronext Amsterdam, it shall continue to adhere to the Dutch Corporate Governance Code except for current deviations and any deviations which stem from the Governance Resolutions or the Merger Protocol, including in relation to the composition of the Supervisory Board and in connection with any of the measures referred to in Section 3.2.4.

3.2.7 Place of business

It is currently foreseen that the businesses of OctoPlus will remain intact and Dr. Reddy's intends to maintain OctoPlus' research activities and manufacturing facilities in Leiden. Dr. Reddy's does not intend to sell, transfer, close or relocate or cause OctoPlus to sell, transfer, close or relocate any assets belonging to OctoPlus.

3.2.8 Committed Shares

Van Herk, LSP III Omni Investment Coöperatief U.A., Signet Healthcare Partners, L.L.C., SR One Limited, J.J.M. Holthuis (the founder of OctoPlus) and his holding company Sodoro B.V., N.V. Fagus and funds managed by IPSA (formerly known as Innoven Partenaires S.A.) have signed irrevocable undertakings to support and accept the Offer, subject to customary conditions. The combined shareholdings of these parties represent 62.4% of the Shares.

The individual members of the Boards holding together 1.1% of the Shares in OctoPlus have also agreed to an irrevocable undertaking to tender their shares under the Offer (see also Section 6).

3.2.9 Superior Offer

Dr. Reddy's and OctoPlus have agreed that OctoPlus is permitted to engage in discussions or negotiations with, and provide information to, a third party that makes an unsolicited serious approach to OctoPlus with respect to a potential offer or proposal for a potential offer for all or part of the Shares or for the whole or part of the businesses or assets of the OctoPlus group or any proposal involving the potential acquisition of a substantial interest in the OctoPlus group, a legal merger or demerger involving OctoPlus or a reorganization or re-capitalisation of OctoPlus and/or the OctoPlus group, that in the reasonable opinion of the Boards, taking into account their fiduciary duties and having consulted their financial and legal advisors and Dr. Reddy's, may evolve into a competing offer.

Dr. Reddy's and OctoPlus have furthermore agreed that OctoPlus may accept a competing offer if (A) it is launched, or is binding on the offering party concerned in the sense that such offering party has (i) conditionally committed itself to OctoPlus to launch a competing offer within the timeframes as set in the Public Offer Decree and the Wft, if applicable and (ii) has publicly announced its intention to launch a competing offer, which announcement includes the proposed price per Share and the relevant conditions precedent in relation to such offer and the commencement thereof, (B) the consideration offered per Share exceeds the consideration per Share offered under the Offer by at least 10% (to the extent that the competing offer is an offer for all or substantially all of the assets of the OctoPlus group, the calculation shall be made on the basis of the net proceeds to be distributed to the Shareholders resulting from such a transaction (to be valued as at the first trading day on the regulated market operated by Euronext Amsterdam following the execution of the Merger Protocol) calculated on a per Share basis) and (C) it is determined by the Boards, having consulted financial and legal advisors and Dr. Reddy's and acting in good faith and observing their obligations under Dutch law, to be substantially more beneficial to OctoPlus and its stakeholders than the Offer as contemplated in the Merger Protocol, specifically taking into account the identity and track record of such third party, the consideration to be received by Shareholders, the likelihood of completion, the other terms and conditions of the competing offer and the interests of all stakeholders of OctoPlus.

Dr. Reddy's and OctoPlus have furthermore agreed that OctoPlus may not accept a competing offer if Dr. Reddy's has within ten Business Days following announcement of the competing offer made a revised Offer that is determined by the Boards, having consulted their financial and legal advisors and acting in good faith and observing their obligations under Dutch law, to be at least equally beneficial to OctoPlus and its stakeholders as the competing offer.

If Dr. Reddy's has not made a revised Offer or if Dr. Reddy's has informed OctoPlus that it does not wish to exercise its right to make a revised Offer, OctoPlus shall be entitled to accept the competing offer and the Boards shall have the right, but shall not be obliged, to withdraw or, as applicable, modify their recommendation with regard to the Offer. If OctoPlus accepts the competing offer, both Dr. Reddy's and OctoPlus shall be entitled, but shall not be obliged, to terminate the Merger Protocol in accordance with its terms. Upon such termination of the Merger Protocol in the event of a competing offer, Dr. Reddy's is entitled to a termination fee in the amount of € 0.5 million (the **Termination Fee**) pursuant to the terms of the Merger Protocol.

See for more detailed information Section 6.17.1 et seq of the Offer Memorandum.

3.2.10 Other grounds to terminate the Merger Protocol

Not only in case of a competing offer, but also in the following circumstances the Merger Protocol can be terminated by Dr. Reddy's or OctoPlus (the **Terminating Party**) as the case may be: (i) if Dr. Reddy's and OctoPlus so agree in writing; (ii) by Dr. Reddy's in case any of the Offer Conditions have not been satisfied or waived in accordance with the terms and conditions of the Merger Protocol, (iii) by Dr. Reddy's in case of OctoPlus having breached the terms of the Merger Protocol to the extent that any such breach (a) has or could reasonably be expected to have material adverse consequences for OctoPlus, Dr. Reddy's or the Offer, and (b) is incapable of being remedied within ten Business Days, or has not been remedied within ten Business Days, (iv) by OctoPlus in case of Dr. Reddy's having breached the terms of the Merger Protocol to the extent that any such breach (a) has or could reasonably be expected to have material adverse consequences for OctoPlus or the Offer; and (b) is incapable of being remedied within ten Business Days, or has not been remedied within ten Business Days or (v) by OctoPlus in case all offer conditions have been satisfied or waived and settlement has not taken place on the Settlement Date. In the event of (iii) OctoPlus will also have to pay Dr. Reddy's the Termination Fee and in the event of (iv), Dr. Reddy's will have to pay OctoPlus the Termination Fee.

3.3 The Boards' assessment of the strategic fit

The Boards are of the opinion that the strategic rationale of the Offer and the Merger is compelling and will provide significant benefits to OctoPlus, for the following reasons:

1. The combination of the development and manufacturing capabilities of OctoPlus and the clinical, regulatory and commercialization capabilities of Dr. Reddy's increases the success rate of bringing generic versions of longer-acting injectable drugs to the market and generating long term revenues for OctoPlus.
2. OctoPlus expects to leverage Dr. Reddy's existing fee for service & API business and commercial network to increase its revenues.
3. Being part of Dr. Reddy's will enhance OctoPlus' financial condition and secure its continued existence and enables it to pursue its strategic objectives.

4. Increased financial stability of OctoPlus is expected to have a positive impact on OctoPlus in strengthening its position as a center of excellence in complex injectables and developing new drug delivery and manufacturing technologies, thereby further improving its competitive position.

4 FINANCIALS

Reference is made to Section 13 (*Selected Consolidated Financial Information of OctoPlus*) and Section 14 (*Financial Statements of OctoPlus*) of the Offer Memorandum.

5 EMPLOYEE CONSULTATION

Positive advice regarding the Offer was obtained from the works council of OctoPlus on 2 November 2012. The works council of OctoPlus has been informed about the Offer in accordance with the applicable consultation procedure. The Social Economic Council has also been notified of the Offer in accordance with the Merger Code 2000.

6 OVERVIEW OF TRADING IN OCTOPLUS

One member of the Supervisory Board performed one transaction during the year preceding the publication of the Offer Memorandum on 13 December 2012 (all prior to OctoPlus' and Dr. Reddy's discussions about the Offer):

Name	Buy/Sell	# shares	Date of trade	Price per share
Mr. D.S. Chahal	Buy	100,950	13 June 2012	€ 0.379

At the date of the Position Statement, the following Shares are held by members of the Boards:

Name	# Shares
Mr. J.H. Egberts	427,119
Mrs. S.M. Swarte	0
Mr. G. Moolhuizen	22,500
Mr. D.S. Chahal	110,950

Note:

Except for Mr. D.S. Chahal, none of the Supervisory Board members holds any Shares in the Company.

Each of Mr. J.H. Egberts, Mr. G. Moolhuizen and Mr. D.S. Chahal, as members of the Boards holding Shares at the date of this Position Statement, has entered into an irrevocable undertaking to tender the Shares held by him under the Offer under the same terms as applicable to all Shareholders and subject to the conditions and restrictions described in the Offer Memorandum.

Furthermore, pursuant to and in accordance with the terms of the Incentive Plans, the members of the Executive Board were awarded the following options in the year preceding the publication of this Position Statement.

Name	# options	Date of award	Exercise price	Reason
Mr. J.H. Egberts	250,143	6 December 2011	€ 1.27	Anti-dilution
Mr. J.H. Egberts	121,752	21 February 2012	€ 1.27	Performance 2011
Mrs. S.M. Swarte	27,834	21 February 2012	€ 1.27	Performance 2011
Mr. G. Moolhuizen	16,700	21 February 2012	€ 1.27	Performance 2011
Mr. J.H. Egberts	121,752	First quarter 2013	€ 1.27	Performance 2012
Mrs. S.M. Swarte	55,666	First quarter 2013	€ 0.46	Performance 2012
Mr. G. Moolhuizen	55,666	First quarter 2013	€ 0.46	Performance 2012
TOTAL	649,513			

Note:

None of the Supervisory Board members holds any options in the Company. The number of options to which each Mr. J.H. Egberts, Mrs. S.M. Swarte and Mr. G. Moolhuizen is entitled with respect to his/her performance in the financial year 2012 depends on certain pre-defined performance criteria. As a result of the termination of the Incentive Plans Mrs. S.M. Swarte and Mr. G. Moolhuizen shall not receive options to which they are entitled for their performance in the financial year 2012, but instead shall be compensated in cash for a maximum amount in the aggregate of € 6,679.92.

Please refer to Section 7.9 (*Outstanding Options*) of the Offer Memorandum for further detail.

7 FURTHER INFORMATION

Copies of this Position Statement are available free of charge at the office of OctoPlus by contacting OctoPlus at the address below or via the website of OctoPlus (www.octoplus.nl).

OctoPlus N.V., Zernikedreef 12, 2333 CL Leiden, the Netherlands.

The agenda for the EGM of OctoPlus to be held on 15 January 2013 at 14:00 hours CET at the offices of OctoPlus N.V., Zernikedreef 12, Leiden, the Netherlands, is attached hereto as Annex II.

8 RECOMMENDATION

Throughout the process, the Supervisory Board and the Executive Board have been in contact on a frequent basis and have discussed the progress of the process and the key decisions in connection therewith. The terms and conditions of the Offer have been agreed between OctoPlus and Dr. Reddy's with the prior approval of the Supervisory Board. The Supervisory Board and the Executive Board have received extensive legal advice and have given careful consideration to the strategic, financial and social aspects and consequences of the Merger and have considered other options available to OctoPlus, including other potential third party transactions. Extensive discussions have taken place with a candidate for another transaction on the disposal of the fee for services business and a stand-alone scenario of the specialty generics activities. Eventually taking all these considerations and the current circumstances into account, including the worsening financial condition and prospects of OctoPlus, the Boards have reached the conclusion that the Offer provides a fair price from a financial point of view and is in the best interests of OctoPlus, the major and the small Shareholders, its employees and its other stakeholders. Furthermore, reference is made to the Fairness Opinion, as attached hereto as **Annex I**.

With reference to the above, the Boards have duly considered the Offer and the Merger and consider the Offer and the Merger in the best interests of the Company and its stakeholders, including its Shareholders and the Boards have unanimously resolved:

- to approve and to fully support the Offer;
- to approve and to consent to the entering into by the Company of the Merger Protocol;
- to support and to recommend to holders of Shares to accept the Offer and recommend to holders of Shares to adopt the Governance Resolutions; and
- that the Company will take all necessary actions within its power to effect the Merger.

Executive Board

Mr. J.H. Egberts, CEO

Mrs. S.M. Swarte, CFO

Mr. G. Moolhuizen, CBO

Supervisory Board

Mr. S. Van Reet, Chairman

Mr. R. Kuijten, Vice-chairman

Mr. J. Gale, member

Mr. D.S. Chahal, member

Mrs. C. Moukheibir, member

ANNEX I

Fairness Opinion ABN AMRO Bank N.V.



ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Correspondence address
P.O. Box 283
1000 EA Amsterdam
The Netherlands
Telephone 020-6290274
Fax 020-3831834

CONFIDENTIAL

OctoPlus N.V.
Attn. Mr. S. van Reet, Chairman of the Supervisory Board
Attn. Mr. J. Egberts, Chief Executive Officer
Zernikedreef 12
2333 CL Leiden
The Netherlands

Date
21 October 2012
Subject
Letter of Opinion

Dear Members of the Executive Board and Supervisory Board,

We understand that Dr. Reddy's Laboratories Limited ("Dr. Reddy's Laboratories" or the "Offeror"), or one of its affiliated parties incorporated for this purpose, intends to make a recommended public offer (the "Offer") for all issued and outstanding ordinary shares with a nominal value of EUR 0.12 each (these shares are referred to as the "Shares", each a "Share") of OctoPlus N.V. ("OctoPlus" or the "Company") (the "Proposed Transaction").

At the date hereof, a draft version (dated 19 October 2012) is available of the agreement inter alia between the Offeror and the Company (the "Draft Merger Protocol") on the terms of a public offer to be made by the Offeror for all the issued shares of the Company. Pursuant to the terms of the Offer, the Offeror will offer an amount in cash equal to EUR 0.52 per each Share tendered under the terms of the Offer (the "Consideration") to the holders of these Shares (the "Shareholders"). The terms and conditions of the Proposed Transaction are set forth in more detail in the Draft Merger Protocol. The summary of the Proposed Transaction set forth above is qualified in its entirety by the terms of the Draft Merger Protocol.

The Executive Board (the "Executive Board") and the Supervisory Board (the "Supervisory Board") of the Company (together the "Boards") have asked ABN AMRO Bank N.V. ("ABN AMRO") to render its opinion as to whether the Consideration is fair, from a financial point of view, to the holders of the Shares (the "Fairness Opinion").

For the purposes of providing our Fairness Opinion, ABN AMRO has:

- a) reviewed certain publicly available business and financial information relating to the Company which we deemed relevant for the purpose of providing the Fairness Opinion, including the Company's annual reports for the financial years 2009 to 2011 and the Company's interim reports for the years 2011 to H1 2012;
- b) reviewed financial and operating information with respect to the business, operations and prospects of the Company furnished to us by the Company, including a latest estimate for the year 2012 prepared by management of the Company;

- c) reviewed certain publicly available information such as equity research reports;
- d) reviewed the financial terms, to the extent publicly available, of certain recent transactions we believe to be comparable to the Offer;
- e) reviewed public information with respect to certain other companies we believe to be comparable to the Company;
- f) reviewed the current and historical stock prices and trading volumes of the Company's ordinary shares;
- g) had discussions with members of the Executive Board concerning the past and current business, operations, financial condition and future prospects of OctoPlus, certain clarifications on the financial information and strategic outlook on OctoPlus and certain other matters we believe necessary or appropriate to our inquiry;
- h) reviewed parts of the Draft Merger Protocol we deemed relevant; and
- i) conducted such other studies, analyses and investigations and considered such other factors as we deemed appropriate, based on the information available to us to date.

OctoPlus has confirmed to ABN AMRO that (i) OctoPlus has provided ABN AMRO with all information relating to OctoPlus, which it understands to be relevant for the Fairness Opinion and has not omitted to provide ABN AMRO with any information relating to OctoPlus that would render the provided information inaccurate, incomplete or misleading or may have an impact on the Fairness Opinion, (ii) after delivery of aforementioned information, as far as OctoPlus is aware, no events have occurred that may have an impact on the Fairness Opinion, (iii) all financial and other information provided by OctoPlus to ABN AMRO in relation to the Fairness Opinion is true and accurate and no information was withheld from ABN AMRO that could affect the Fairness Opinion, and (iv) financial forecasts and projections of the Company provided by OctoPlus to ABN AMRO have been prepared on a basis reflecting the best currently available information, estimates and judgments of the management of the Company as to the future financial performance of the Company.

This Fairness Opinion is subject to the above confirmation and is furthermore subject to the following:

- a) ABN AMRO does not express any opinion as to any tax or other consequences that might result from the Proposed Transaction, nor does our opinion address any actuarial, legal, tax, regulatory or accounting matters and as such assumes no liability or responsibility in connection herewith;
- b) ABN AMRO has not been authorized to solicit, and ABN AMRO has not solicited, any indications of interest from any third party with respect to the purchase of all or a part of the Company's business;

- c) ABN AMRO has relied on the accuracy and completeness of all the financial and other information used by it without any independent verification of such information, and assumed such accuracy and completeness for the purposes of rendering this Fairness Opinion;
- d) ABN AMRO has not performed any investigation or otherwise undertaken to verify the accuracy and completeness of the information reviewed by it for the purposes of rendering this Fairness Opinion and therefore does not accept any responsibility regarding this information;
- e) ABN AMRO has assumed that all confirmations made to ABN AMRO by the Company (as set out above) are true, accurate and not misleading;
- f) We have assumed that the executed Merger Protocol will conform in all material respects to the last draft reviewed by us. ABN AMRO has assumed the accuracy of the representations and warranties contained in the Draft Merger Protocol and all agreements related thereto;
- g) ABN AMRO has not made any evaluation or appraisal of the assets and liabilities (including any derivative or off balance sheet assets, liabilities, and assets or businesses held for sale or disposal) of the Company;
- h) ABN AMRO has not conducted a physical inspection of the properties and facilities of OctoPlus for purposes of this Fairness Opinion;
- i) ABN AMRO has not evaluated the solvency or fair value of OctoPlus under any laws relating to bankruptcy, insolvency or similar matters;
- j) the Offer being declared unconditional on the basis of the terms and conditions set out in the Merger Protocol;
- k) receipt of all governmental, regulatory, third party or other consents, approvals and releases for the Proposed Transaction will be obtained within the constraints contemplated by the Merger Protocol; and
- l) ABN AMRO has not reviewed and does not opine on the question whether the price of the offer for the Shares is the fair price (*billijke prijs*) within the meaning of Section 5:80a of the Financial Supervision Act (*Wet op het financieel toezicht*).

This Fairness Opinion necessarily is based upon prevalent financial, economic, monetary, market and other conditions as they exist on, and on the information made available to us, and may be assessed, as at the date of this letter. Accordingly, although subsequent events or circumstances, and any other information that becomes available after this date, may affect this Opinion, ABN AMRO has not assumed any responsibility to update, revise or reaffirm this Opinion once given.

This Fairness Opinion is solely for the use and benefit of the Boards in connection with its evaluation of the Proposed Transaction and shall not be used for any other purpose. This Fairness Opinion is not intended to be relied upon or confer any rights or remedies upon any employee, creditor or shareholder of OctoPlus or any other party. This Fairness Opinion does not address the merits of the underlying decision of OctoPlus to engage in, recommend or proceed with the Offer and does not constitute a recommendation to any Shareholder as to whether such Shareholder should accept the Offer. We have also not been requested to opine on, and no opinion is expressed on, and our Fairness Opinion does not in any other manner address, any alternatives available to the Proposed Transaction and whether any alternative transaction might be more beneficial to the Shareholders than the Proposed Transaction. We have also not been requested to opine as to, and our Fairness Opinion does not in any manner address, (i) the likelihood of the consummation of the Proposed Transaction or (ii) the method or form of payment of the Consideration. In addition, we express no opinion on, and our Fairness Opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the Proposed Transaction, or any class of such persons, relative to the Consideration payable in the Proposed Transaction.

ABN AMRO is acting as financial advisor to OctoPlus in connection to the Fairness Opinion and will receive a fee from OctoPlus for our services, which fee will not be conditional upon completion of the Offer. OctoPlus has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of the agreement with regard to our role as financial advisor to the Company. ABN AMRO will receive a fee upon the issue of the Opinion, irrespective of the contents of the Opinion and/or the Proposed Transaction being completed. ABN AMRO is a minority holder of 81,506 Shares representing 0.15% of the outstanding Shares as at the date of this Fairness Opinion, which Shares ABN AMRO received as part of its compensation for advisory services provided by its Corporate Finance & Capital Markets department to OctoPlus in connection with two prior unrelated transactions in 2009 and 2005. ABN AMRO is involved in a wide range of banking and other financial services business, both for its own account and for the account of its clients, out of which a conflict of interest or duties may arise. ABN AMRO may, from time to time, (i) provide financial advisory services and/or financing to OctoPlus and/or the Offeror, (ii) maintain a banking or other commercial relationship with OctoPlus and/or the Offeror, and (iii) trade shares and other securities of OctoPlus and/or the Offeror in the ordinary course of business for our own account and for the accounts of our customers and may, therefore, from time to time hold long or short positions in such securities. Within ABN AMRO practices and procedures, including 'Chinese walls', are maintained, designed to help ensure the independence of advice and to restrict the flow of information and to manage such conflicts of interests or duties.

This letter may be incorporated in full, for information purposes only, in the position statement to be made available by the Boards of OctoPlus to the Shareholders in connection with the Offer. Notwithstanding the foregoing, this letter may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with the prior written approval of ABN AMRO. This Fairness Opinion is issued in the English language and reliance may only be placed on this Opinion as issued in the English language. If any translations of this Opinion are delivered they are provided only for ease of reference, have no legal effect and ABN AMRO makes no representation as to, and accepts no liability in respect of, the accuracy of any such translations.

This letter and the obligations of ABN AMRO to OctoPlus hereunder shall be governed by and construed in accordance with Dutch law and any claims or disputes arising out of, or in connection with, this letter shall be subject to the exclusive jurisdiction of the competent court in Amsterdam without prejudice to the right of appeal and that of appeal at the Supreme Court.

Based upon and subject to the foregoing, we are of the opinion that, as of the date of this letter, the Consideration to be received by the Shareholders pursuant to the Offer is fair, from a financial point of view, to such Shareholders accepting the Offer.

Yours sincerely,

For and on behalf of,
ABN AMRO Bank N.V.



Martijn Arlman
Managing Director
Date: 21 October 2012



Okko Filius
Managing Director
Date: 21 October 2012

ANNEX II

Notice to convene an Extraordinary General Meeting of Shareholders of OctoPlus N.V.

To be held and organized by OctoPlus N.V., having its address at Zernikedreef 12, 2333 CL, Leiden, the Netherlands ("OctoPlus" or the "Company") on 15 January 2013 at 14.00 CET.

AGENDA

General note: agenda items 3 up to and including 5 will only be discussed or voted upon, as applicable, if the Offer (as defined below) is made and any resolutions adopted in respect of items 4 and 5 will be subject to the Offer being declared unconditional and settled

1. Opening (non voting item)
2. Explanation of measures taken in respect of the decrease of OctoPlus' equity in accordance with section 2:108a of the Dutch Civil Code (non voting item)
3. Explanation of the public offer by Reddy Netherlands B.V. (the "Offeror"), an indirect wholly-owned subsidiary of Dr. Reddy's Laboratories Ltd. ("Dr. Reddy's"), for all issued and outstanding ordinary shares in the capital of OctoPlus (the "Offer") in accordance with section 18 of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*) (non voting item)
4. Composition of the Supervisory Board of OctoPlus (the "Supervisory Board")
Appointment of new members of the Supervisory Board:
 - 4a. Mr. G.V. Prasad as chairman of the Supervisory Board (voting item); and
 - 4b. Dr. R. Ananthanarayanan as member of the Supervisory Board (voting item)
5. Grant full and final release and discharge from liability of Mr. R. Kuijten, Mr. J. Gale, Mr. D.S. Chahal and Mrs. C. Moukheibir in connection with their resignation as members of the Supervisory Board (voting item)
6. Questions and close of the meeting (non voting item)

Registration Date and relevant register

For this meeting, those entitled to vote and/or attend the meeting are those who:

- (i) on 18 December 2012 after processing of all debit entries and transfers (the "Registration Date"), are registered in one of the (sub)registers designated by the Executive Board of OctoPlus (the "Executive Board") and who have registered in accordance with that set forth hereinafter. Designated as (sub)register for holders of shares traded ("Traded Shares") through the administration of the institutions that are intermediaries as defined in the Securities Giro Act (the "Intermediaries") and other shares ("Non-traded Shares") are respectively the

- administration/records of the Intermediaries and the registration in the shareholders' register of the Company, all as per the Registration Date;
- (ii) have duly registered for participation in the meeting.

Holders of Traded Shares

Holders of Traded Shares who wish to attend or be represented at the meeting should apply, via the Intermediaries, as of 19 December 2012 and no later than 9 January 2013, 9:00 to ABN AMRO. The Intermediaries must provide ABN AMRO via <http://www.abnamro.com/intermediary> no later than 9 January 2013, 15:00 with a confirmation of the number of Traded Shares held by the relevant shareholder on the Registration Date in respect of which registration is sought. ABN AMRO will send to these shareholders, via their respective Intermediaries a proof of registration which will serve as a pass giving admission to the meeting.

Holders of Non-traded Shares

Holders of Non-traded Shares who wish to attend or be represented at the meeting should apply in writing until 9 January 2013, at 9:00 to the Company at the office address of the Company confirming that the number of shares registered in their name were registered in their name on the Registration Date. The acknowledgement of receipt provided will be valid as an attendance card to the meeting.

Proxy and instruction to vote

If shareholders wish to have themselves represented at the meeting by a third party – without prejudice to the application requirements set forth here above – a power of attorney to that effect must have been received by the Company ultimately on 9 January 2013, at 09.00 at the office address of the Company. Without prejudice to that determined here above as concerns the application, shareholders, who will not attend the shareholders' meeting either in person or by proxy, may grant a proxy and instruction to vote to a person to be designated by the Company. An electronic proxy and voting instructions can be given from 19 December 2012 until 9 January 2013 via www.abnamro.com/evoting.

Shareholders who are not in position to give their proxy and voting instructions in electronic form are required to use a form, which must be requested from the Company (telephone number: +31 (0)71 5241061; telefax number: +31 (0)71 5241071). The form can also be downloaded from the Company's website (www.octoplus.nl). The form completed by the shareholder must have been received by the Company ultimately on 9 January 2013, at 09.00 at the office address of the Company.

Participation in the meeting can be made dependent of identification of the participants.

Leiden, the Netherlands, 3 December 2012
Executive Board

EXPLANATORY NOTES TO THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF OCTOPLUS N.V. TO BE HELD ON 15 JANUARY 2013

General note: agenda items 3 up to and including 5 will only be discussed or voted upon, as applicable, if the Offer is made and any resolutions adopted in respect of items 4 and 5 will be subject to the Offer being declared unconditional and settled.

Item 2. Explanation of measures taken in respect of decrease of OctoPlus' equity in accordance with section 2:108a of the Dutch Civil Code (non voting item)

As a consequence of the impairment loss in 2012 in relation to Biolex Therapeutics Inc.'s voluntary petition for liquidation under Chapter 7 (see OctoPlus' press release dated 9 July 2012), OctoPlus' equity has decreased and following continuing losses over the last months, OctoPlus' current equity is below the level of half of its issued and paid-up share capital. Therefore, in accordance with section 2:108a of the Dutch Civil Code, OctoPlus wants to discuss any appropriate measures it has taken in this respect. As a long-term measure the Executive Board reviewed various strategic alternatives for the Company. After careful consideration the Executive Board and the Supervisory Board decided to pursue an acquisition by a strategic partner which ultimately resulted in indicative offers from two strategic partners of which ultimately the intended public offer by Dr. Reddy's was selected. As a short-term measure OctoPlus and Dr. Reddy's agreed on the key terms for entering into a business development agreement for investigational formulation research and will shortly enter into a business development agreement on the basis of these key terms. Dr. Reddy's will provide OctoPlus with fee-for-service and milestone payments as consideration for services to be rendered by OctoPlus for a maximum amount of € 2 million during a period of six months from the date of the Merger Protocol (as defined below). These payments are subject to certain development milestones, which, if not met, will result in the conversion of the payments into a loan. In case OctoPlus is not able to repay the loan, Dr. Reddy's might opt for conversion of the loan into newly issued ordinary shares in the Company at the then prevailing share price level. Dr. Reddy's has paid € 2 million to OctoPlus in advance of fees and milestone payments for services to be rendered under the business development agreement.

Item 3. Explanation of the public offer by Dr. Reddy's Laboratories Ltd for all issued and outstanding ordinary shares in the capital of OctoPlus (non voting item)

On 22 October 2012, Dr. Reddy's and OctoPlus jointly announced that they had reached conditional agreement in connection with the Offer, as agreed upon in a merger protocol dated 21 October 2012 (the "Merger Protocol"), for an offer price in cash of € 0.52 cum dividend per issued and outstanding ordinary share in OctoPlus (the "Offer Price"). After the fulfillment or waiver of the relevant commencement conditions under the Merger Protocol, OctoPlus and the Offeror will jointly announce that the Offeror is making the Offer on the basis of an offer memorandum setting out the full details of the Offer (the "Offer Memorandum"). The Offer Memorandum will be published on OctoPlus' website (www.octoplus.nl). The Offer, if made, is expected to be closed and settled in February 2013.

In addition to key terms such as the Offer Price, the acceptance period, conditions of settlement of the Offer by the Offeror and transfer of OctoPlus' shares against payment of the Offer Price, the Offer

Memorandum shall contain an explanation of the conditions of the Offer and other information with regard to the Offer and the parties involved in the Offer.

The Executive Board and the Supervisory Board will also make available a position statement with regard to the Offer (the “Position Statement”) in which the recommendation of the Executive Board and the Supervisory Board is included, the Offer Price is substantiated and the non-financial considerations of the Offer are discussed. The Position Statement will be made available free of charge to shareholders and to other persons entitled to attend general meetings of OctoPlus at the office of OctoPlus, or at OctoPlus’ website (www.octoplus.nl), from the announcement of the Offer until the end of this Extraordinary General Meeting of Shareholders.

During the Extraordinary General Meeting of Shareholders, Mr. J.H. Egberts (CEO) will give a presentation on the Offer and, in accordance with article 18 paragraph of the Dutch Public Offers Decree (*Besluit openbare biedingen Wft*), the Offer will be discussed.

We strongly recommend that you form your own opinion on the Offer and the consequences thereof for you personally on the basis of the Offer Memorandum, the Position Statement and, if so desired, independent advice.

Item 4. Composition of the Supervisory Board

The Supervisory Board offers a non-binding proposal to the general meeting of OctoPlus (the “General Meeting”) to resolve, subject to the condition precedent that the Offer is declared unconditional and is settled, to appoint as members of the Supervisory Board Mr. G.V. Prasad and Dr. R. Ananthanarayanan, both of them as per the date on which, in accordance with the terms of the Offer, the Offeror will pay the Offer Price to the shareholders for each tendered share (the “Settlement Date”) for a period of four years.

Mr. S. Van Reet will stay on as Supervisory Board member and is independent within the meaning of the Dutch Corporate Governance Code. Subject to the condition precedent that the Offer is declared unconditional and is settled, Mr. S. Van Reet will no longer be the chairman of the Supervisory Board as per the Settlement Date. Mr. G.V. Prasad is proposed to become the new chairman of the Supervisory Board.

The remuneration of all Supervisory Board members will be in accordance with the current OctoPlus remuneration policy for Supervisory Board members. The remuneration of the members of the Supervisory Board consists of a fixed cash remuneration, which is determined by the General Meeting.

Item 4a. Appointment of Mr. G.V. Prasad as chairman of the Supervisory Board as per the Settlement Date (voting item)

Name	Mr. G.V. Prasad
Age	52

Resume
(including current
profession,
supervisory and
other positions)

Mr. G.V. Prasad joined the board of Dr. Reddy's in 1986 and leads the core team that drives the growth and performance of Dr. Reddy's. He has been Vice-Chairman & CEO of Dr. Reddy's since 2001, when Cheminor Drugs Limited, the company of which he was then Managing Director, merged with Dr Reddy's.

Mr. Prasad has played a key role in the evolution of Dr. Reddy's from a mid-sized pharmaceutical company into a globally respected pharmaceutical major. He is widely credited as the architect of Dr. Reddy's successful global generics strategy.

He is dedicated to building the innovation side of the business and drives the sustainability agenda at Dr. Reddy's. He nurtured new lines of business, helped to build a high-talent organisation, and was instrumental in introducing best-in-class practices in corporate governance.

Mr. Prasad holds a degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA and a Masters in Industrial Administration from Purdue University, USA.

Ownership of
OctoPlus shares

Mr. G.V. Prasad does not hold any shares in OctoPlus.

Considering the relevant expertise and experience of Mr. G.V. Prasad as set out in his resume, Mr. G.V. Prasad will be a valuable addition to OctoPlus in general and to the Supervisory Board in particular.

Item 4b. Appointment of Mr. R. Ananthanarayanan as a member of the Supervisory Board as per the Settlement Date (voting item)

Name Dr. R. Ananthanarayanan

Age 47

Resume
(including current
profession,
supervisory and
other positions)

Dr. R. Ananthanarayanan currently holds the position of President of Pharmaceutical Services and Active Ingredients (PSAI) within Dr. Reddy's.

Dr. R. Ananthanarayanan has over 23 years of experience in the pharmaceutical industry with specialisation in research & development, manufacturing operations, regulatory affairs, quality assurance, business development, global strategic sourcing and mergers & acquisitions.

Dr. R. Ananthanarayanan was a key leadership member on the Executive Management Committee at Piramal Healthcare Ltd and was the President & Head of Pharma Solutions business. He worked with Piramal Healthcare for over seven years and was involved since the inception of Pharma Solutions business. Prior to joining Piramal Healthcare, Dr. R. Ananthanarayanan was Managing Director – Asia & Head of Global

Sourcing for Galpharm International Ltd, a UK based manufacturer/distributor of specialty pharmaceuticals & baby products. He led strategic outsourcing of product development, launch product manufacturing and management of late lifecycle products.

Dr. R. Ananthanarayanan has also been involved in various other positions of increasing responsibility in both Indian and Multinational Pharmaceutical companies like Zydus Cadila, Wockhardt and Rhone-Poulenc Rorer.

Dr. R. Ananthanarayanan is a Ph.D. in Pharmaceutical Technology from University of Mumbai, India.

Ownership of OctoPlus shares Dr. R. Ananthanarayanan does not hold any shares in OctoPlus.

Considering the relevant expertise and experience of Mr. R. Ananthanarayanan as set out in his resume, Mr. R. Ananthanarayanan will be a valuable addition to OctoPlus in general and to the Supervisory Board in particular.

Item 5. Grant full and final release and discharge from liability of Mr. R. Kuijten, Mr. J. Gale, Mr. D.S. Chahal and Mrs. C. Moukheibir in connection with their resignation as members of the Supervisory Board as per the Settlement Date (voting item)

In connection with the Offer, the following members of the Supervisory Board will resign, subject to the condition precedent that the Offer is declared unconditional and is settled, as per the Settlement Date:

- Mr. R.R. Kuijten
- Mr. J.C. Gale
- Mr. D.S. Chahal
- Mrs. C. Moukheibir

(collectively the “Resigning Supervisory Board Members”)

In connection with their resignation it is proposed to grant the Resigning Supervisory Board Members a full and final discharge and release from liability for their functioning as Supervisory Board member up to and including the date of this Extraordinary General Meeting of Shareholders, except for liability as a result of fraud or wilful misconduct. The discharge takes place on the basis of information provided to the General Meeting, including the Offer Memorandum, the Position Statement, the explanation to the Position Statement and the press releases in connection with the Offer.