

This Offer expires at 18:00 CET on 8 February 2013, unless extended

## OFFER MEMORANDUM

Dated 13 December 2012

RECOMMENDED CASH OFFER

BY

REDDY NETHERLANDS B.V.



FOR ALL THE ISSUED AND OUTSTANDING ORDINARY SHARES  
IN THE SHARE CAPITAL OF

OCTOPLUS N.V.



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## 1 Introduction

This offer memorandum (the “**Offer Memorandum**”) contains the details of the recommended public offer by Reddy Netherlands B.V. (the “**Offeror**”), an indirectly wholly-owned subsidiary of Dr. Reddy’s Laboratories Ltd. (“**Dr. Reddy’s**”), to all holders of issued and outstanding ordinary shares with a nominal value of EUR 0.12 each (the “**Shares**” and each a “**Share**” and the holders of such Shares, the “**Shareholders**”), in the share capital of OctoPlus N.V. (“**OctoPlus**”) to purchase for cash their Shares on the terms and subject to the conditions and restrictions set out in this Offer Memorandum (the “**Offer**”). As at the date of this Offer Memorandum, the issued and outstanding share capital of OctoPlus amounts to EUR 6,320,876.88 divided into 52,673,974 Shares, any and all of which are subject to the Offer.

This Offer Memorandum contains the information required by article 5:76 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*, the “**Wft**”) in conjunction with article 8, paragraph 1 of the Dutch Public Offers Decree (*Besluit openbare biedingen Wft*, the “**Decree**”) in connection with the Offer. This Offer Memorandum has been reviewed and approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) as an offer memorandum under article 5:76 of the Wft.

The information required by article 18, paragraph 2 of the Decree in connection with the Offer is included in the Position Statement. The Position Statement, including all appendices thereto, does not form part of this Offer Memorandum and has not been reviewed or approved by the AFM prior to publication. The Position Statement will, however, be reviewed by the AFM after publication thereof.

Capitalised terms used in this Offer Memorandum have the meaning set out in Section 4 (*Definitions*) or elsewhere in this Offer Memorandum.

Shareholders tendering their Shares under the Offer will be paid on the terms and subject to the conditions and restrictions contained in this Offer Memorandum in consideration for each Share validly tendered (or defectively tendered, provided that such defect has been waived by the Offeror) and transferred (*geleverd*) to the Offeror, an amount in cash of EUR 0.52 per Share. Such price is cum dividend.

The supervisory board and the executive board of OctoPlus (the “**Supervisory Board**” and the “**Executive Board**” respectively, or together the “**Boards**”) fully support and unanimously recommend the Offer to the Shareholders for acceptance. Reference is made to Section 6.6 (*Decision-making and recommendation by the Boards*) and the Position Statement. Members of the Boards holding Shares have irrevocably committed to support and accept the Offer. The combined shareholding of these members of the Boards represents 1.1% of all the issued and outstanding Shares.

Onroerend Goed Beheer- en Beleggingsmaatschappij A. Van Herk B.V. (“**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 shareholding of these parties represents 62.4% of all the issued and outstanding Shares.

The Offer Period under the Offer will commence at 09:00 hours CET on 14 December 2012 and will expire at 18:00 hours CET on 8 February 2013, unless the Offer Period is extended in accordance with Section 5.5 (*Extension*), in which case the closing date shall be the date on

which the Offer Period so extended expires (such initial or postponed date, the “**Closing Date**”). If the Offer is extended by the Offeror past the initial Closing Date, the Offeror will make an announcement to that effect in accordance with the Decree. Article 15, paragraph 2 of the Decree requires that such an announcement be made within three Business Days following the initial Closing Date.

The Shares tendered on or prior to the Closing Date may not be withdrawn, subject to the right of withdrawal in accordance with the Decree.

The Offeror will announce whether the Offer is declared unconditional (*gestand wordt gedaan*) within three Business Days following the Closing Date, in accordance with article 16 of the Decree (the “**Unconditional Date**”).

Announcements contemplated by the foregoing paragraphs will be made by press release and on the websites of OctoPlus and Dr. Reddy’s. Reference is made to Section 5.9 (*Announcements*).

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), the Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) (as applicable) their Shares for acceptance to the Offeror pursuant to the Offer prior to or on the Closing Date (each of these Shares, a “**Tendered Share**”) will receive the Offer Price in respect of each Tendered Share, and the Offeror shall acquire each Tendered Share within five Business Days following the Unconditional Date (“**Settlement**” and the day on which the Settlement occurs, the “**Settlement Date**”).

At 14:00 hours CET on 15 January 2013, such date being at least six Business Days prior to the Closing Date, and in accordance with article 18, paragraph 1 of the Decree an extraordinary general meeting of Shareholders (the “**EGM**”) will be held at Zernikedreef 12, Leiden, the Netherlands, at which meeting, among other matters, the Offer, certain proposals regarding the governance of OctoPlus post-completion of the Offer and OctoPlus’ equity decrease as a consequence of the impairment loss and subsequent losses in 2012 in relation to Biolex Therapeutics Inc.’s (“**Biolex**”) voluntary petition for liquidation and the appropriate measures to be taken in relation thereto (reference is made to Section 7.5.2 (*Impact of Biolex’ insolvency*)) shall be discussed. In addition, certain resolutions will be proposed to the General Meeting of Shareholders in connection with the Offer (reference is made to Section 6.16 (*EGM*)) and the Position Statement.



## **2 Restrictions**

### **2.1 The Netherlands**

The Offer is being made in and from the Netherlands with due observance of the statements, conditions and restrictions included in this Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been made in the manner set out in this Offer Memorandum.

The distribution of this Offer Memorandum and/or the making of the Offer in jurisdictions other than the Netherlands may be restricted and/or prohibited by law. The Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of any Shareholder, in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this Offer Memorandum. Persons obtaining this Offer Memorandum are required to take due note and observe all such restrictions and obtain any necessary authorisations, approvals or consents (to the extent applicable). Outside of the Netherlands and the United States (U.S.), no actions have been taken (nor will actions be taken) to make the Offer possible in any jurisdiction where such actions would be required. In addition, this Offer Memorandum has not been filed with, or recognised by, the authorities of any jurisdiction other than the Netherlands. Neither the Offeror, nor Dr. Reddy's, nor OctoPlus, nor any of their advisors accepts any liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who forwards or intends to forward this Offer Memorandum or any related document to any jurisdiction outside the Netherlands should carefully read Sections 2 (*Restrictions*) and 3 (*Important information*) of this Offer Memorandum before taking any action. The release, publication or distribution of this Offer Memorandum and any documentation regarding the Offer or the making of the Offer in jurisdictions other than the Netherlands may be restricted by law and therefore persons into whose possession this Offer Memorandum comes should inform themselves about and observe such restrictions. Any failure to comply with any such restriction may constitute a violation of the law of any such jurisdiction.

### **2.2 United States of America**

The Offer is being made for the securities of a Dutch company and is subject to Dutch disclosure requirements, which differ from those of the United States. The financial information of OctoPlus included or referred to herein has been prepared in accordance with IFRS and, accordingly, may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer will be made in the United States pursuant to the applicable U.S. tender offer rules and otherwise in accordance with the applicable regulatory requirements in the Netherlands. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a U.S. holder of Shares will be a taxable transaction for U.S. federal income tax purposes and may be a taxable transaction under applicable state and local, as well as foreign and other tax laws. See also Section 10 (*Tax aspects of the Offer - The United States*). Each holder of Shares is urged to consult his

independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of the U.S. federal securities laws, since the Offeror and OctoPlus are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with standard Dutch practice and pursuant to Rule 14e-5(b) of the Securities Exchange Act of 1934, as amended, the Offeror or its nominees, or its brokers (acting as agents), or affiliates of the Offeror's financial advisors, may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. To the extent required in the Netherlands, any information about such purchases will be announced by means of a press release in accordance with article 13 of the Decree and will be posted on the websites of the Offeror (<http://www.drreddys.com>) and OctoPlus (<http://www.octoplus.nl>) to inform the Shareholders.

This Offer Memorandum has not been submitted to or reviewed by the U.S. Securities and Exchange Commission (the "SEC") or any state securities commission. Neither the SEC nor any such state securities commission has approved or disapproved of the Offer, passed upon the fairness or merits of the Offer, or passed upon the adequacy or accuracy of the disclosure contained in this Offer Memorandum. Any representation to the contrary is a criminal offence in the U.S.

### **2.3 Canada and Japan**

The Offer and any solicitation in respect thereof is not being made, directly or indirectly, in or into Canada or Japan, or by use of the mailing systems, or by any means or instrumentality of interstate or foreign commerce, or any facilities of a national securities exchange of Canada or Japan. This includes, but is not limited to, post, facsimile transmission, telex or any other electronic form of transmission and telephone. Accordingly, copies of this Offer Memorandum and any related press announcements, acceptance forms and other documents are not being sent and must not be mailed or otherwise distributed or sent in, into or from Canada or Japan or, in their capacities as such, to custodians, nominees or trustees holding Shares for persons residing in Canada or Japan. Persons receiving this Offer Memorandum and/or such other documents must not distribute or send them in, into or from Canada or Japan, or use such mails or any such means, instrumentality or facilities for any purpose in connection with the Offer; doing so will invalidate any purported acceptance of the Offer. The Offeror will not accept any tender by any such use, means, instrumentality or facility from within Canada or Japan.

Tender and transfer of Shares constitutes a representation and warranty that the person tendering the Shares (i) has not received or sent copies of this Offer Memorandum or any related documents in, into or from Canada or Japan and (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails or any means or instrumentality including, without limitation, facsimile transmission, telex and telephone of interstate or foreign commerce, or any facility of a national securities exchange of, Canada or Japan. The Offeror

reserves the right to refuse to accept any purported acceptance that does not comply with the foregoing restrictions, any such purported acceptance will be null, void and without effect.

### **3 Important information**

#### **3.1 Information**

This Offer Memorandum contains important information that should be read carefully before any Shareholder makes a decision to tender Shares under the Offer. Shareholders are advised to seek independent advice where necessary. In addition, Shareholders may wish to consult with their tax advisors regarding the tax consequences of tendering their Shares under the Offer.

#### **3.2 Responsibility**

The information included in Sections 2 (*Restrictions*) through 6 (*Explanation and background of the Offer*) (excluding Sections 6.6 (*Decision-making and recommendation by the Boards*), 6.7.1 (*Offer Conditions*), 6.9 (*Respective cross-shareholdings Offeror – OctoPlus*), 6.10.2 (*Committed members of the Boards*), 6.14 (*Governance*), 6.15 (*Severance packages of the Boards*), 6.17 (*Certain arrangements between the Offeror and OctoPlus*)), 8 (*Information on the Offeror*), 10 (*Tax aspects of the Offeror*), 11 (*Press releases*) and 12 (*Nederlandse samenvatting*) has been provided solely by the Offeror.

The information included in Sections 6.6 (*Decision-making and recommendation by the Boards*), 6.15 (*Severance packages of the Boards*), 7 (*Information regarding OctoPlus*), and 13 (*Selected Financial Information of OctoPlus*) (excluding Sections 13.3 (*Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009*), 13.5 (*Independent auditor's report relating to the Financial statements for the Financial Year 2011*) and 13.7 (*Review report in respect of the Interim financial report June 30, 2012*)) has been provided solely by OctoPlus.

The information included on the cover page, pages 1 through 5 and in Sections 1 (*Introduction*), 6.7.1 (*Offer Conditions*), 6.9 (*Respective cross-shareholdings Offeror – OctoPlus*), 6.10.2 (*Committed members of the Boards*), 6.14 (*Governance*), 6.17 (*Certain arrangements between the Offeror and OctoPlus*) and 9 (*Further declarations pursuant to the Decree*) has been provided by the Offeror and OctoPlus jointly.

The Offeror and OctoPlus are exclusively responsible for the accuracy and completeness of the information provided in this Offer Memorandum, each with respect to the information it has provided, and jointly with respect to the information they have provided jointly.

Both the Offeror and OctoPlus confirm, each with respect to the information it has provided and jointly with respect to the information they have provided jointly, that to the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Offer Memorandum is in accordance with the facts and contains no omission likely to affect its import.

The information included in Section 13.3 (*Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009*), Section 13.5 (*Independent auditor's report relating to the Financial statements for the Financial Year 2011*) and Section 13.7

*(Review report in respect of the Interim financial report June 30, 2012)* has been sourced by OctoPlus from Deloitte Accountants B.V. (“**Deloitte**”), independent auditor to OctoPlus. OctoPlus confirms that this information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by Deloitte, no facts have been omitted which would render the reproduced information inaccurate or misleading.

It is pointed out that certain financial and statistical information and other figures contained in this Offer Memorandum may be rounded up or down and should therefore not be regarded as exact.

### **3.3 Presentation of financial information and other information**

The selected financial information of OctoPlus is that of OctoPlus and its consolidated subsidiaries and is extracted from OctoPlus’ financial statements, which have been audited by Deloitte. The financial statements and accounts from which the selected financial information has been derived were prepared in accordance with IFRS.

The selected financial information should be read in conjunction with the financial statements of OctoPlus for the Financial Year 2011 and the notes thereto, incorporated in this Offer Memorandum.

Certain numerical figures set out in this Offer Memorandum, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offer Memorandum may vary slightly from the actual arithmetic totals of such information.

The information included in this Offer Memorandum reflects the situation as at the date of this Offer Memorandum unless specified otherwise. Neither the issue nor the distribution of this Offer Memorandum shall under any circumstances imply that the information contained herein is accurate and complete as of any time subsequent to the date of this Offer Memorandum or that there has been no change in the information set out in this Offer Memorandum or in the affairs of the Offeror, OctoPlus and/or their respective subsidiaries and/or affiliates since the date of this Offer Memorandum. The foregoing does not affect the obligation of both the Offeror and OctoPlus, each insofar as it concerns them, to make a public announcement pursuant to article 5:25i Wft or article 4, paragraph 3 of the Decree, if applicable.

The information included in Section 13.3 (*Independent auditor’s statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009*) and Section 13.5 (*Independent auditor’s report relating to the Financial statements for the Financial Year 2011*) of this Offer Document has been provided by Deloitte to OctoPlus and is identical to the original auditor’s reports as at the respective dates these reports were issued by Deloitte.

No person, other than the Offeror, Dr. Reddy’s and OctoPlus and without prejudice to the auditors’ reports issued by Deloitte included in the Offer Memorandum and the Fairness Opinion issued by ABN AMRO Bank N.V. (“**ABN AMRO**”), is authorised in connection with the Offer to provide any information or to make any statements on behalf of the Offeror, Dr. Reddy’s or OctoPlus in connection with the Offer or any information contained in this Offer Memorandum.

If any such information or statement is provided or made by parties other than the Offeror, Dr. Reddy’s or OctoPlus, such information or statement should not be relied upon as having been provided by or made by or on behalf of the Offeror, Dr. Reddy’s or OctoPlus. Any information

or representation not contained in this Offer Memorandum must not be relied upon as having been provided by or made by or on behalf of the Offeror, Dr. Reddy's or OctoPlus.

### **3.4 Governing law and jurisdiction**

This Offer Memorandum and the Offer are, and any tender, purchase or transfer of Shares will be, governed by and construed in accordance with 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 Offer Memorandum, the Offer and/or any tender, purchase or transfer of Shares. Accordingly, any legal action or proceedings arising out of or in connection with this Offer Memorandum, the Offer and/or any tender, purchase or transfer of Shares may be brought exclusively in such courts.

### **3.5 Language**

This Offer Memorandum is published in the English language and a Dutch language summary is included as Section 12 (*Nederlandse samenvatting*). In the event of any differences, whether or not in interpretation, between the English text of this Offer Memorandum and the Dutch language summary of this Offer Memorandum, the English text of this Offer Memorandum shall prevail.

### **3.6 Contact details of the Offeror**

Reddy Netherlands B.V.  
Prins Bernhardplein 200  
1097 JB Amsterdam  
The Netherlands

### **3.7 Contact details of OctoPlus**

OctoPlus N.V.  
Zernikedreef 12  
2333 CL Leiden  
The Netherlands

### **3.8 Exchange Agent**

Kempen & Co N.V. has been appointed as exchange agent in the context of the Offer (the "**Exchange Agent**"). The contact details of the Exchange Agent are:

Kempen & Co N.V.  
Attn. Kempen Agency Services L3  
Beethovenstraat 300  
1077 WZ Amsterdam  
The Netherlands

Telefax: +31 (0)20 348 9549  
E-mail: [kas@kempen.nl](mailto:kas@kempen.nl)

Contact persons:  
Giuseppe Montalbano: +31 (0)20 348 8899  
Dick Siemensma: +31 (0)20 348 9554

### **3.9 Availability of information**

Digital copies of this Offer Memorandum are available on the websites of OctoPlus (<http://www.octoplus.nl>) and Dr. Reddy's (<http://www.drreddys.com>). Copies of this Offer Memorandum are also available free of charge at the offices of OctoPlus and the Exchange Agent at the addresses mentioned above. The OctoPlus' and Dr. Reddy's websites do not constitute a part of, and are not incorporated by reference into, this Offer Memorandum.

Copies of the articles of association of the Offeror are available on the website of Dr. Reddy's (<http://www.drreddys.com>) and free of charge at the offices of the Offeror and can be obtained by contacting the Offeror or Dr. Reddy's at the addresses mentioned above.

Copies of the articles of association of OctoPlus (the "**Articles of Association**") and the financial statements of OctoPlus for the Financial Years 2011, 2010 and 2009, respectively, and the First Half-Year 2012 of OctoPlus are available on the website of OctoPlus (<http://www.octoplus.nl>) and free of charge at the offices of OctoPlus and can be obtained by contacting OctoPlus at the address mentioned above.

### **3.10 Forward-looking statements**

This Offer Memorandum includes "forward-looking statements", including statements about the expected timing and completion of the Offer. Forward-looking statements involve known or unknown risks and uncertainties because they 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 or similar expressions identify forward-looking statements. Although the Offeror, Dr. Reddy's and OctoPlus, each with respect to the statements it has provided, believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, 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. The forward-looking statements involve unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror, Dr. Reddy's and OctoPlus, and are difficult to predict. These forward-looking statements are not guarantees of future performance. 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 the Offeror, Dr. Reddy's or OctoPlus operates, to competitive developments or risks inherent to the business plans of the Offeror, Dr. Reddy's or OctoPlus and to uncertainties, risk and volatility in financial markets and other factors affecting the Offeror, Dr. Reddy's and/or OctoPlus.

The Offeror, Dr. Reddy's and/or OctoPlus undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

### **3.11 Financial advisors**

Kempen & Co and IDFC Capital are acting as financial advisors exclusively to the Offeror and Dr. Reddy's and to no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Offer Memorandum) as a client in relation to the Offer or any other matter referred to in this Offer Memorandum and will not be responsible to anyone other than the Offeror and Dr. Reddy's for providing the protections afforded to the clients of Kempen & Co or IDFC Capital for providing advice in relation to the Offer or any other matter referred to in this Offer Memorandum.

Kempen & Co and/or IDFC Capital have given and have not withdrawn their written consent to the references to their names in the form and context in which they appear in this Offer Memorandum.

ABN AMRO is acting as financial advisor exclusively to OctoPlus in connection with the Offer (and in such capacity has prepared a valuation analysis of OctoPlus and provided the Fairness Opinion) and to no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Offer Memorandum) as a client in relation to the Offer or any other matter referred to in this Offer Memorandum and will not be responsible to anyone other than OctoPlus for providing the protections afforded to the clients of ABN AMRO for providing advice in relation to the Offer or any other matter referred to in this Offer Memorandum.

ABN AMRO has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears in this Offer Memorandum.

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 EUR 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 EUR 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 2005 and 2009.



## 4 Definitions

Any reference in this Offer Memorandum to defined terms in plural form will constitute a reference to such defined terms in singular or plural form, and vice versa. All grammatical and other changes required by the use of a definition in singular form will be deemed to have been made herein and the provisions hereof will be applied as if such changes have been made.

Defined terms used in this Offer Memorandum will have the following meaning:

“**ABN AMRO**” means ABN AMRO Bank N.V.;

“**Admitted Institutions**” means those institutions admitted to Euroclear Nederland (*aangesloten instellingen*), as defined in article 1 of the Securities Giro Act (*Wet giraal effectenverkeer*);

“**Affiliates**” means (i) in relation to Dr. Reddy’s or OctoPlus, any (direct or indirect) subsidiary of Dr. Reddy’s or OctoPlus, respectively and (ii) in relation to the Offeror, any (direct or indirect) parent company of the Offeror and its respective (direct and indirect) subsidiaries, in each case from time to time;

“**AFM**” means the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*);

“**API**” means Active Pharmaceutical Ingredient;

“**Applicable Rules**” means all applicable laws and regulations, including without limitation, the applicable provisions of and any rules and regulations promulgated pursuant to the Wft, the Decree, the policy guidelines and instructions of the AFM, the Dutch Works Council Act (*Wet op de ondernemingsraden*), the *SER Fusiegedragsregels 2000* (the Dutch code in respect of informing and consulting of trade unions), the rules and regulations of Euronext Amsterdam and, in as far as applicable, the DCC, the relevant securities and employee consultation rules and regulations in other applicable jurisdictions;

“**Articles of Association**” means the articles of association of OctoPlus, as amended from time to time;

“**Biolex**” means Biolex Therapeutics Inc., in liquidation;

“**Boards**” means the Executive Board and the Supervisory Board together;

“**Business Day**” means a day other than a Saturday or Sunday on which banks in the Netherlands, according to collective agreements for the banking sector (the *Algemene Bank-CAO*) and Euronext Amsterdam are open for normal business;

“**BDA**” has the meaning given to it in Section 6.17.7 (*Business Development Agreement*);

“**BDA Term**” has the meaning given to it in Section 6.17.7 (*Business Development Agreement*);

“**CET**” means Central European Time;

“**Closing Date**” means the time and date on which the Offer Period expires, being at 18:00 hours CET on 8 February 2013, unless extended in accordance with the terms of this Offer Memorandum, in which case the closing date shall be the date on which the extended Offer Period expires;

“**Combined Group**” means the group constituted by Dr. Reddy’s and OctoPlus and their respective Affiliates after the Settlement Date;

**“Commencement Date”** means the date on which the Offer is made;

**“Committed Shareholders”** has the meaning given to it in Section 6.10.1 (*Committed Shareholders*);

**“Competing Offer”** has the meaning given to it in Section 6.17.1 (*Commitment of OctoPlus regarding Potential Competing Offers*);

**“DCC”** means the Dutch Civil Code (*Burgerlijk Wetboek*);

**“Decree”** means the Dutch Public Offers Decree (*Besluit openbare biedingen Wft*), as amended from time to time;

**“Deloitte”** means Deloitte Accountants B.V.;

**“Distribution”** means any (interim) dividend or other distribution on any Share;

**“Dr. Reddy’s”** means Dr. Reddy’s Laboratories Ltd., a public limited company incorporated under the laws of India;

**“Dr. Reddy’s Group”** means Dr. Reddy’s and its Affiliates from time to time;

**“Dutch Corporate Governance Code”** means the Dutch corporate governance code as established under article 2:391 paragraph 5 of the DCC, effective as of 1 January 2009;

**“Dutch law”** or **“the laws of the Netherlands”** means the laws of the European part of the Netherlands;

**“EGM”** means the extraordinary general meeting of shareholders of OctoPlus scheduled for 14:00 hours CET on 15 January 2013, at Zernikedreef 12, Leiden, the Netherlands, the Netherlands, that is to be held pursuant to article 2:108a DCC and article 18, paragraph 1 of the Decree, in which meeting, among other matters, the Equity Decrease and the appropriate measures to be taken in relation thereto, the Offer and certain proposals regarding the governance of OctoPlus post-completion of the Offer, will be discussed;

**“Equity Decrease”** means OctoPlus’ equity decrease as a consequence of the impairment loss and subsequent losses in 2012 in relation to Biolex’ voluntary petition for liquidation;

**“EUR”, “Euro”** or **“€”** means the euro, being the basic unit of currency among participating European Union countries;

**“Euronext Amsterdam”** means the stock exchange of Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext N.V.;

**“Exchange Act”** means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

**“Exchange Agent”** means Kempen & Co N.V.;

**“Exclusivity Undertaking”** has the meaning given to it in Section 6.17.7 (*Business Development Agreement*);

**“Executive Board”** means the executive board (*raad van bestuur*) of OctoPlus;

**“Fairness Opinion”** means the fairness opinion dated 21 October 2012 issued by ABN AMRO, which is included in the Position Statement as Annex I;

**“Family Members”** has the meaning given to it in Section 8.3.6 (*Main Shareholders*);

**“Financial Year 2009”** means the financial year of OctoPlus ending on 31 December 2009;

**“Financial Year 2010”** means the financial year of OctoPlus ending on 31 December 2010;

**“Financial Year 2011”** means the financial year of OctoPlus ending on 31 December 2011;

**“First Half-Year 2012”** means the first half-year results of OctoPlus over the half year ending on 30 June 2012;

**“General Meeting of Shareholders”** means the general meeting of shareholders (*algemene vergadering van aandeelhouders*) of OctoPlus;

**“Governance Resolutions”** has the meaning given to it in Section 6.16 (*EGM*);

**“Governmental Order”** means order, stay, judgment or decree having been issued by any court, arbitral tribunal, government, governmental authority or other regulatory or administrative authority that remains in force and effect;

**“IDFC Capital”** means IDFC Capital Limited, a company organised and existing under the laws of India;

**“IFRS”** means the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Commission for use in the European Union;

**“Incentive Plans”** means the option plans as set out in Section 7.10 (*Incentive Plans*);

**“Independent Member”** has the meaning given to it in Section 6.14.3 (*Dutch Corporate Governance Code*);

**“Intellectual Property Rights”** means trade marks (*merken*), service marks, rights in trade names, business names (*handelsnamen*), logos or get-up, patents and patent applications, petty patents, utility models, supplementary protection certificates, rights in inventions, registered and unregistered design rights, copyrights, semi-conductor topography rights, database rights, rights in domain names and URLs, rights to sue for passing off and in unfair competition, rights in opposition proceedings and all other similar rights in any part of the world (including in Know-how) including, where such rights are obtained or enhanced by registration, any registration of such rights and applications and rights to apply for such registrations;

**“Irrevocable”** means the irrevocable undertaking of each Committed Shareholder to tender all Shares held by it under the Offer, as referred to in Section 6.10.1 (*Committed Shareholders*);

**“Joint Announcement”** means the joint announcement made by Dr. Reddy’s and OctoPlus on 22 October 2012, as referred to in Section 6.1 (*Introduction*) and included in Section 11 (*Press releases*);

**“Kempen & Co”** means Kempen & Co Corporate Finance B.V.;

**“Know-how”** means non-trivial industrial and commercial information and techniques in any form not in the public domain including drawings, formulae, test results, reports, project reports and testing procedures, instruction and training manuals, tables of operating conditions, market forecasts, lists and particulars of customers and suppliers;

**“Matching Revised Offer”** has the meaning given to it in Section 6.17.3;

**“Matching Right”** has the meaning given to it in Section 6.17.3;

**“Material Adverse Effect”** means any change, event, circumstance or effect (any such items an **“Effect”**) individually or when taken together with all other Effects, that is or is reasonably likely to be sustainably materially adverse to the OctoPlus Group’s business, assets, clinical or pre-clinical programs (if any), R&D capabilities and potential, any Intellectual Property Rights, prospects, capitalisation or financial condition or cash flows, such that the Offeror cannot reasonably be expected to declare the Offer unconditional; provided that none of the following (without limitation) shall, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has been or will be, a Material Adverse Effect: (a) any effect resulting from compliance with the terms and conditions of the Merger Protocol, (b) any natural disasters, pandemics or acts of terrorism, sabotage, military action or war (whether or not formally declared), or any escalation or worsening thereof, (c) any changes in general economic, political or financial market conditions in any market whatsoever or changes in currency exchange or interest rates unless the business, prospects, capitalisation, financial condition or cash flows of the OctoPlus Group will or are reasonably likely to significantly deteriorate as a result thereof, or (d) the taking of any action approved in writing by the Offeror;

**“Merger”** means the Offer and all transactions contemplated therewith;

**“Merger Protocol”** means the Merger Protocol between Dr. Reddy’s and OctoPlus dated 21 October 2012;

**“New BDA”** has the meaning given to it in Section 6.17.7 (*Business Development Agreement*);

**“OctoPlus”** means OctoPlus N.V., a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its corporate seat in Leiden, the Netherlands, and its office address at Zernikedreef 12, 2333 CL Leiden, the Netherlands, registered in the trade register under number 28075073;

**“OctoPlus Group”** means OctoPlus and its Affiliates from time to time;

**“Offer”** means the offer described in this Offer Memorandum;

**“Offer Conditions”** means the conditions to the Offer set out in Section 6.7.1 (*Offer Conditions*);

**“Offer Memorandum”** means this offer memorandum (*biedingsbericht*) describing the terms, conditions and restrictions of the Offer;

**“Offer Period”** means the period during which the Shareholders can tender their Shares to the Offeror, which commences at 09:00 hours CET on 14 December 2012 and ends at 18:00 hours, CET on the Closing Date;

**“Offer Price”** means a cash amount of EUR 0.52 (*fifty-two euro cent*) for each Tendered Share cum dividend;

**“Offeror”** means Reddy Netherlands B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands and its registered address at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, registered in the trade register under number 33289445;

**“PFIC”** has the meaning given to it in Section 10.2.1 (*General*);

**“Position Statement”** means the position statement of the Boards with respect to the Offer, which does not form part of this Offer Memorandum;

**“Post Closing Acceptance Period”** means a period of no more than two weeks after the Offer Period (*na-aanmeldingstermijn*) during which the Shareholders that have not yet tendered their Shares under the Offer shall be given the opportunity to do so in the same manner and under the same conditions as set out in this Offer Memorandum;

**“Post Closing Measures”** has the meaning given to it in Section 6.11.3 (*Legal structure and corporate structure following the Offer*);

**“Potential Competing Offer”** means a written proposal to make a (public) offer for all Shares or all or substantially all of the assets of the OctoPlus Group or a merger of OctoPlus, made by a party who, in the reasonable opinion of OctoPlus (including the Supervisory Board), is a bona fide third party and which proposal in the reasonable opinion of OctoPlus (including the Supervisory Board), having consulted its financial and legal advisors and the Offeror and considering, among others, level and character of consideration, certainty of financing, conditionality, integrity of the business and position of employees, could reasonably be expected to become a Competing Offer;

**“Product Rights Acquisition Agreement”** has the meaning given to it in Section 7.5.1 (*Cooperation with Biolex*);

**“Recommendation”** has the meaning given to it in Section 6.6 (*Decision-making and recommendation by the Boards*);

**“Reference Date”** means 19 October 2012, the last trading day before the Joint Announcement;

**“Remedy Period”** has the meaning given to it in Section 6.17.7 (*Business Development Agreement*);

**“SEC”** means the United States Securities and Exchange Commission;

**“Section”** means any section of this Offer Memorandum, unless otherwise indicated;

**“Settlement”** means the payment of the Offer Price by the Offeror to the Shareholders for each Tendered Share;

**“Settlement Date”** means the date, being no later than the fifth Business Day after the Unconditional 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;

**“Shareholders”** means holders of one or more Shares;

**“Shares”** means the ordinary shares in the capital of OctoPlus, having a nominal value of EUR 0.12 each;

**“Statutory Merger”** has the meaning given to it in Section 6.11.3 (*Legal structure and corporate structure following the Offer*);

**“Subsequent Higher Offer”** has the meaning given to it in Section 6.17.2;

**“Supervisory Board”** means the supervisory board (*raad van commissarissen*) of OctoPlus;

**“Tendered Share”** means each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) (as applicable) for acceptance pursuant to the Offer prior to or on the Closing Date;

**“Terminating Party”** has the meaning given to it in Section 6.17.4 (*Termination Events*);

**“Unconditional Date”** means the date on which the Offeror will announce whether the Offer is declared unconditional (*gestand wordt gedaan*);

**“USD”, “U.S. dollar” or “\$”** means the dollar, being the basic unit of currency of the United States;

**“Van Herk”** means Onroerend Goed Beheer- en Beleggingsmaatschappij A. Van Herk B.V.;

**“Wft”** means the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*); and

**“Works Council”** means the works council (*ondernemingsraad*) of OctoPlus.

## 5 Invitation to the Shareholders

The Offeror hereby makes a recommended public cash offer for all Shares to the Shareholders. The Shareholders are advised to review this Offer Memorandum and in particular Sections 2 (*Restrictions*) and 3 (*Important information*) thoroughly and completely and to seek independent advice where appropriate in order to reach a balanced judgment with respect to the Offer and this Offer Memorandum. Shareholders who consider not tendering their Shares are advised to review Section 6.11 (*Consequences of the Offer*) in particular. With due reference to all statements, terms, conditions and restrictions included in this Offer Memorandum, the Shareholders are hereby invited to tender their Shares under the Offer in the manner and subject to the terms and restrictions set out in this Offer Memorandum.

### 5.1 Consideration

#### 5.1.1 Offer Price

For each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and transferred (*geleverd*) under the Offer, and which has not been validly withdrawn, subject to the Offeror declaring the Offer unconditional, the Offeror offers a consideration of EUR 0.52 in cash (the “**Offer Price**”).

#### 5.1.2 Distributions

The Offer Price is cum dividend. This means that the Offer Price includes any (interim) dividends and other distributions that may be declared or paid in respect of any Share in the period between the date of the Merger Protocol and the Settlement Date. No Distribution has been declared or paid between the date of the Merger Protocol and the date of this Offer Memorandum.

If OctoPlus were to declare or pay a Distribution on or prior to the Settlement Date and the record date for such Distribution occurs on or prior to the Settlement Date, then the Offer Price will be decreased by the full amount of any such Distribution declared or paid by OctoPlus in respect of each Share (before any applicable withholding tax).

### 5.2 Acceptance by Shareholders

#### 5.2.1 Shares held through Admitted Institutions

The Shareholders who hold their Shares through an Admitted Institution are requested to make their acceptance known through their custodian, bank or stockbroker no later than 18:00 hours CET on the Closing Date, unless the Offer Period is extended in accordance with Section 5.5 (*Extension*). The custodian, bank or stockbroker may set an earlier deadline for communication by Shareholders in order to permit the custodian, bank or stockbroker to communicate its acceptances to the Exchange Agent in a timely manner.

Accordingly, Shareholders holding Shares through an Admitted Institution, should comply with the dates communicated by such Admitted Institution as such dates may differ from the dates and times noted in this Offer Memorandum.

Admitted Institutions may tender the Shares for acceptance only to the Exchange Agent and only in writing. In submitting the acceptance, Admitted Institutions are required to declare that (i) they have the Tendered Shares in their administration, (ii) each Shareholder who accepts the Offer irrevocably represents and warrants that the Tendered Shares are being tendered in compliance with the restrictions set out in

Section 2 (*Restrictions*) and the information contained in Section 3 (*Important information*) and (iii) they undertake to transfer these Tendered Shares to the Offeror prior to or ultimately on the Settlement Date, provided that the Offer has been declared unconditional (*gestand wordt gedaan*).

Subject to the proper withdrawal of any tender of the Shares, the tendering of the Shares in acceptance of the Offer will constitute irrevocable instructions to block any attempt to transfer the Shares tendered, so that on or prior to the Settlement Date no transfer of such Shares may be effected (other than to the Exchange Agent on or prior to the Settlement Date if the Offer is declared unconditional (*gestand wordt gedaan*) and the Shares have been accepted for purchase, or if withdrawal rights are available because of an extension of the Offer Period) and to debit the securities account in which such Shares are held on the Settlement Date in respect of all of the Tendered Shares, against payment by the Exchange Agent of the Offer Price per Share.

#### **5.2.2 Acceptance by holders of Shares individually recorded in OctoPlus' shareholders register**

Holders of Shares individually recorded in OctoPlus' shareholders register wishing to accept the Offer in respect of such Shares must deliver a completed and signed acceptance form to the Exchange Agent in accordance with the terms and conditions of the Offer, no later than 18:00 hours CET on the Closing Date. The acceptance forms are available upon request from the Exchange Agent. The acceptance form will also serve as a deed of transfer (*akte van levering*) with respect to the Shares referenced therein.

#### **5.2.3 Undertakings, representations and warranties by tendering Shareholders**

Each Shareholder tendering Shares pursuant to the Offer, by such tender, undertakes, represents and warrants to the Offeror, on the date that such Shares are tendered and on the Settlement Date, that:

- (i) the tender of any Shares constitutes an acceptance by the Shareholder of the Offer, on and subject to the terms and conditions of the Offer;
- (ii) such Shareholder has full power and authority to tender, sell and transfer (*leveren*) the Shares tendered by it, and has not entered into any other agreement to tender, sell or transfer (*leveren*) the Shares stated to have been tendered to any party other than the Offeror (together with all rights attaching thereto) and, when the same are purchased by the Offeror under the Offer, the Offeror will acquire such Shares, with full title guarantee and free and clear of all third party rights and restrictions of any kind; and
- (iii) such Shares are being tendered in compliance with the restrictions as set out in Section 2 (*Restrictions*) and the information set out in Section 3 (*Important information*) and the securities and other applicable laws or regulations of the jurisdiction in which such Shareholder is located or of which it is a resident and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with the tendering of such Shares.



### **5.3 Offer Period (*aanmeldingstermijn*)**

The Offer Period will commence at 09:00 hours CET on 14 December 2012 and will expire on 8 February 2013 at 18:00 hours CET unless the Offer Period is extended in accordance with Section 5.5 (*Extension*).

The Shares tendered on or prior to the Closing Date may not be withdrawn, subject to the right of withdrawal of any tender during an extension of the Offer Period in accordance with the Decree. If the Offer Period is extended, any Shares previously tendered and not withdrawn will remain subject to the Offer. The Shares tendered during an extension of the Offer Period may not be withdrawn.

If all conditions to the Offer are satisfied or, where appropriate, waived, the Offeror will accept all Shares that have been validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and not previously properly withdrawn, in accordance with the procedures set out in Section 5.2 (*Acceptance by Shareholders*).

### **5.4 Declaring the Offer unconditional (*gestanddoening*)**

The Offer will be subject to the satisfaction or waiver of the Offer Conditions as set out in Section 6.7 (*Offer Conditions, waiver and satisfaction*). The Offer Conditions may be waived, to the extent permitted by law or by agreement, as set out in Section 6.7 (*Offer Conditions, waiver and satisfaction*). If the Offeror wishes to (partly) waive one or more Offer Conditions in accordance with Section 6.7 (*Offer Conditions, waiver and satisfaction*) the Offeror will inform the Shareholders as required by the Applicable Rules.

No later than on the third Business Day following the Closing Date, such date being the Unconditional Date, the Offeror will determine whether the Offer Conditions have been satisfied or waived as set out in Section 6.7 (*Offer Conditions, waiver and satisfaction*), to the extent permitted by the Applicable Rules. In addition, the Offeror will announce on the Unconditional Date whether (i) the Offer is declared unconditional, (ii) the Offer Period will be extended in accordance with article 15 of the Decree, or (iii) the Offer is terminated as a result of the Offer Conditions set out in Section 6.7 (*Offer Conditions, waiver and satisfaction*) not having been satisfied or waived, all in accordance with article 16 of the Decree. In the event that the Offer is not declared unconditional, the Offeror will explain such decision.

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*) the Offeror will accept all Tendered Shares and shall continue the Offer during a Post Closing Acceptance Period (*na-aanmeldingstermijn*) as set out in Section 5.6 (*Post Closing Acceptance Period*).

### **5.5 Extension**

If one or more of the Offer Conditions set out in Section 6.7 (*Offer Conditions, waiver and satisfaction*) is not satisfied by the Closing Date, the Offeror may, in accordance with article 15, paragraphs 1 and 2 of the Decree, extend the Offer Period for a minimum period of two weeks and a maximum period of ten weeks in order to have such Offer Conditions satisfied or waived. In addition, the Offer Period may be extended if the events referred to in article 15, paragraphs 5 or 9 of the Decree, occur. Further extensions are subject to clearance of the AFM, which will only be given in exceptional circumstances. In case of such extension all references in this Offer Memorandum to 18:00 hours CET on the Closing Date shall, unless

the context requires otherwise, be changed to the latest date and time to which the Offer Period has been so extended.

If the Offer Period is extended, so that the obligation pursuant to article 16 of the Decree to announce whether the Offer is declared unconditional is postponed, a public announcement to that effect will be made ultimately on the third Business Day following the Closing Date in accordance with the provisions of article 15, paragraphs 1 and 2 of the Decree. If the Offeror extends the Offer Period, the Offer will expire on the latest time and date to which the Offeror extends the Offer Period.

During an extension of the Offer Period, any Shares previously tendered and not withdrawn in accordance with article 15 paragraph 3 of the Decree or otherwise withdrawn in accordance with the Decree will remain subject to the Offer.

#### **5.6 Post Closing Acceptance Period (*na-aanmeldingstermijn*)**

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), the Offeror shall, in accordance with article 17 of the Decree, within three Business Days after declaring the Offer unconditional, publicly announce a Post Closing Acceptance Period (*na-aanmeldingstermijn*) of a maximum of two weeks to enable the Shareholders who did not tender their Shares during the Offer Period to tender their Shares under the same terms and conditions as applicable to the Offer. The Post Closing Acceptance Period will start on the Business Day following the day of announcement thereof.

The Offeror will publicly announce the results of the Post Closing Acceptance Period and the total amount and total percentage of Shares held by it in accordance with article 17, paragraph 4 of the Decree ultimately on the third Business Day following the last day of the Post Closing Acceptance Period. The Offeror shall continue to accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) during such Post Closing Acceptance Period and shall pay for such Shares within five Business Days following the last day of the Post Closing Acceptance Period.

During the Post Closing Acceptance Period, Shareholders have no right to withdraw Shares from the Offer, whether validly tendered during the Offer Period (or defectively tendered provided that such defect has been waived by the Offeror) or during the Post Closing Acceptance Period.

#### **5.7 Settlement**

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), Shareholders who have tendered and transferred (*geleverd*) their Shares for acceptance to the Offeror pursuant to the Offer on or prior to the Closing Date will receive the Offer Price in respect of each Tendered Share within five Business Days following the Unconditional Date, as of which moment dissolution or annulment of a Shareholder's tender or transfer (*levering*) shall not be permitted.

#### **5.8 Dividends**

Any Distribution made in respect of Shares not tendered under the Offer after the Settlement Date will pro rata be deducted from the price per Share for the purpose of establishing such price in any Statutory Merger or other measure contemplated by Section 6.11.3 (*Legal structure and corporate structure following the Offer*).

## 5.9 Announcements

Any announcement contemplated by this Offer Memorandum will be issued by press release. Subject to any applicable requirements under the Applicable Rules and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror will have no obligation to communicate any public announcement other than as described above.

## 5.10 Commission

Admitted Institutions will receive from the Exchange Agent on behalf of the Offeror a commission in the amount of EUR 0.0013 in respect of each Tendered Share up to a maximum of EUR 1,000 per Shareholder account. The commission must be claimed from the Offeror through the Exchange Agent within 30 days after the Settlement Date. No costs will be charged to Shareholders by the Offeror or by OctoPlus for the transfer and payment of each Tendered Share if an Admitted Institution is involved. However, the Shareholders may be charged certain fees by their custodians, banks or stockbrokers. Costs may also be charged to the Shareholders by or on behalf of an institution located outside of the Netherlands, involved in the transfer and payment of the Tendered Shares. Shareholders should consult their banks and stockbrokers regarding any such fees.

## 5.11 Restrictions

The Offer is being made with due observance of the statements, conditions and restrictions included in this Offer Memorandum. The Offeror reserves the right to accept any tender of Shares under the Offer that is made by or on behalf of a Shareholder, even if it has not been effected in the manner as set out in Section 5.2 (*Acceptance by Shareholders*).

## 5.12 Indicative timetable

Expected date and time	Event
13 December 2012	Press release announcing the availability of this Offer Memorandum and the commencement of the Offer
09:00 hours CET on 14 December 2012	Commencement of the Offer Period
14:00 hours CET on 15 January 2013	EGM, at which meeting the Equity Decrease and the Offer, among other matters, will be discussed
18:00 hours CET on 8 February 2013, unless extended	Closing Date: Deadline for Shareholders wishing to tender Shares, unless the Offer is extended in accordance with article 15 of the Decree
No later than three Business Days after the Closing Date	Unconditional Date: The date on which the Offeror will publicly announce whether the Offer is declared unconditional ( <i>gestand wordt gedaan</i> ) in accordance with article 16 of the Decree
No later than three Business Days after the Unconditional Date	Post Closing Acceptance Period: If the Offer is declared unconditional, the Offeror will announce a Post Closing

Expected date and time	Event
No later than five Business Days after the Unconditional Date	<p>Acceptance Period for a period of up to two weeks, in accordance with article 17 of the Decree</p> <p>Settlement Date: The date on which, in accordance with the terms and conditions of the Offer, the Offeror will pay the Offer Price for each Tendered Share</p>

## 6 Explanation and background of the Offer

### 6.1 Introduction

In July 2012 Dr. Reddy's approached OctoPlus to engage in discussions in respect of a potential acquisition by Dr. Reddy's of all or a significant part of the Shares or of OctoPlus' business. Dr. Reddy's and OctoPlus entered into a confidentiality agreement on 6 July 2012 after which Dr. Reddy's conducted an initial due diligence investigation on OctoPlus and its business. On 21 September 2012, Dr. Reddy's submitted to the Boards a non-binding indicative proposal for a full-acquisition of OctoPlus. OctoPlus formally responded to the non-binding indicative proposal on 4 October 2012, which formed the basis for further negotiations. Following such negotiations, Dr. Reddy's and OctoPlus reached (conditional) agreement on the Offer on 21 October 2012 by signing the Merger Protocol.

On 22 October 2012 Dr. Reddy's and OctoPlus jointly announced that they reached conditional agreement on the main terms and conditions of the Offer, pursuant to article 5, paragraph 1 and article 7, paragraph 4 of the Decree, as set out in this Offer Memorandum, at a cash consideration of EUR 0.52 per Share (the "**Joint Announcement**"). In the Joint Announcement the Offeror and OctoPlus expressed their intention to submit a request for approval of an offer memorandum to the AFM within five weeks from the Joint Announcement. See also Section 11 (*Press releases*).

Pursuant to the Merger Protocol Dr. Reddy's may decide that the Offer will be made by itself or an existing or newly incorporated wholly-owned subsidiary of Dr. Reddy's. Pursuant to Section 17 of the Merger Protocol, Dr. Reddy's assigned its rights and obligations under the Merger Protocol to the Offeror on 13 December 2012.

### 6.2 The Offer

The Offeror is making an offer to purchase from the Shareholders all the Shares on the terms and subject to the conditions and restrictions contained in this Offer Memorandum.

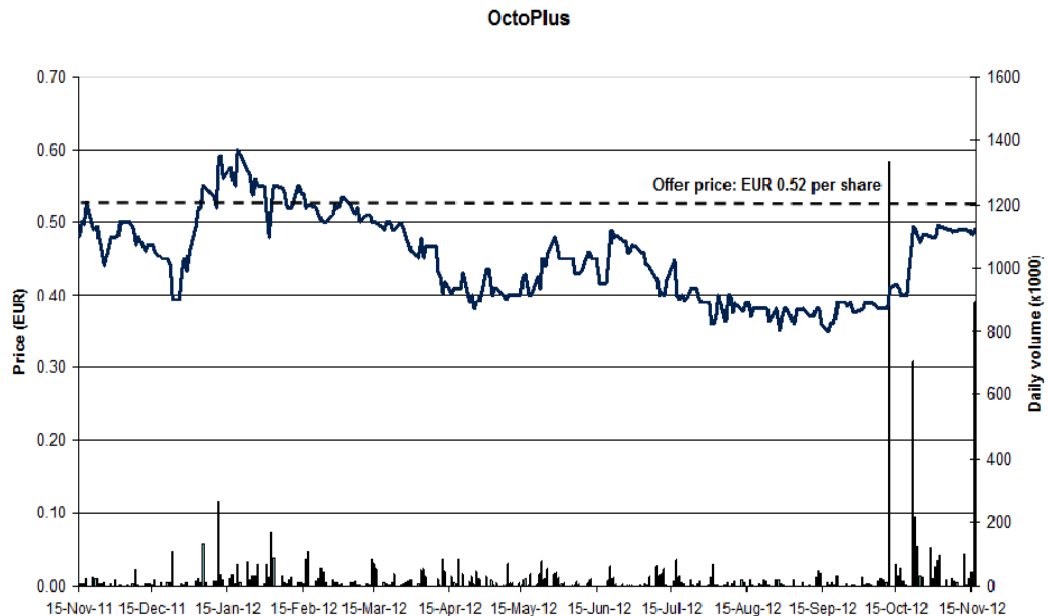
Subject to the Offer being declared unconditional (*gestanddoening*), the Shareholders tendering their Shares under the Offer will receive the Offer Price in respect of each Tendered Share. If, between the date of the Merger Protocol and the Settlement Date, OctoPlus, by any means whatsoever declares or pays any Distribution and the record date for such Distribution will occur on or prior to the Settlement Date, then the Offer Price will be reduced by the amount of such Distribution per Share (before any applicable withholding tax). On the date hereof, no Distribution has been declared or made since the date of the Merger Protocol.

#### 6.2.1 Bid premia

- (i) The Offer Price represents a premium of 30% to the closing price of the Shares on the Reference Date.
- (ii) The Offer Price represents a premium of 36% to the average closing price of the Shares over the three month period up to and including the Reference Date.
- (iii) The Offer Price represents a premium of 28% to the average closing price of the Shares over the six month period up to and including the Reference Date.
- (iv) The Offer Price represents a premium of 14% to the average closing price of the Shares over the twelve month period up to and including the Reference Date.

## 6.2.2 Share price development

During the twelve months preceding the request to the AFM to approve this Offer Memorandum, the Shares' closing price ranged between EUR 0.60 and EUR 0.34 with an average closing price of EUR 0.45. The Share price at the Reference Date was equal to EUR 0.40.



## 6.3 Substantiation of the Offer

The Offer Price has been based on a series of financial analyses. The conclusions from each of the conducted financial analyses, in addition to certain financial information as derived from annual and interim accounts, analysts' presentations, market reports and press releases, have been used to arrive at the Offer Price. The performed financial analyses are:

- 6.3.1 an analysis of bid premiums for the eleven Dutch completed cash-only recommended full public offers (excluding public offers for real estate companies) that had an equity value of up to EUR 1,000 million and were announced and concluded between 1 January 2007 and 18 October 2012 (Gilde/Nedschroef, Medcom/Wegener, KPN/Getronics, SAB Miller/Grosch, ERIKS/Econosto, Adecco/DNC, Rijndijk Groep/Gouda Vuurvast, SHV/ERIKS, Canon/Océ, Mexichem/Wavin and Saab/HITT). The one-day median bid premium (closing share price one day prior to the earlier of transaction announcement or material, public speculation of a transaction, if any) for these offers is 38%. The premiums offered for the above-mentioned public offers have been estimated using information provided by Thomson Reuters DataStream, Mergermarket and company websites;
- 6.3.2 an analysis of the latest Petercam (Analyst Jan van den Bossche, EUR 0.40 per Share as of 8 May 2012) and Kempen & Co (Analyst Mark Pospisilik, EUR 0.40 per Share as of 11 June 2012) research analyst twelve-month price targets on the Reference Date; and
- 6.3.3 a discounted cash flow analysis considering the historical developments and forward-looking financial guidance as provided by OctoPlus. In the analysis, OctoPlus was valued as a stand-alone company. The forecast period was four years after which a

residual value was applied. The residual value was calculated as the perpetuity of the cash flow in the fourth year with an appropriate perpetual growth rate. Both OctoPlus' current and expected fee-for-service activities in specialty generics and drug formulation were taken into account in the analysis, adjusted for risks inherent to the nature of OctoPlus' business. The Offeror did not include the drug candidate Locteron® in the analysis given the low probability-to-market of a drug in Phase II development and the recent bankruptcy filing of development partner Biolex. Reference is made to Section 7.5.2 (*Impact of Biolex' insolvency*). An average weighted cost of capital of 14% was applied by the Offeror. Sensitivity analysis on both the average weighted costs of capital and perpetuity growth rate were conducted, resulting in a value range for all outstanding Shares.

#### **6.4 Rationale for the Offer**

Dr. Reddy's is actively engaged in the development and manufacturing of generics and Active Pharmaceutical Ingredients ("API"). Dr. Reddy's focuses on oral-solids and believes in value creation for its stakeholders through limited-competition complex generic products. In the generics market, injectable drugs with complex formulations are expected to play an increasingly important role. To address the need for complex injectable drugs, Dr. Reddy's aims to close its "capability gap" in that area through acquisitions.

Dr. Reddy's evaluated the capabilities of OctoPlus in drug formulation as well as its fee-for-service contract manufacturing activities. Dr. Reddy's believes that the existing drug formulation expertise of OctoPlus using Microspheres and Liposomes could provide the capabilities required to meet its needs in complex injectable drug development. In addition, OctoPlus' ability to improve the formulations of both existing and new drugs is believed to be complementary to Dr. Reddy's existing capabilities.

Besides leveraging the capabilities of OctoPlus in drug delivery, Dr. Reddy's also aims to further grow the fee-for-service business and to harness operational synergies arising from extensive collaboration between both organisations. Dr. Reddy's believes that OctoPlus has accumulated extensive know-how and skilled personnel that complements the present offering of the Custom Pharmaceutical Services (CPS) business of Dr. Reddy's.

Dr. Reddy's envisages the following synergies to take effect pursuant to the Merger:

- (i) extension of the expertise and scientific capabilities of Dr. Reddy's in drug formulation and complex injectables;
- (ii) further development of OctoPlus its fee-for-service business through the worldwide presence of Dr. Reddy's; and
- (iii) leveraging scientific expertise and know-how in the area of complex generics.

#### **6.5 Financing of the Offer**

With reference to article 7, paragraph 4 of the Decree, Dr. Reddy's announced in the Joint Announcement that it has sufficient funds available to complete the Offer and the financing of the Offer will not be subject to the consent of any third party and shall have no financing condition. The Offeror will finance the maximum total amount of the Offer of approximately EUR 27.4 million through available cash on its balance sheet.

Reference is made to Section 11 (*Press releases*).

## 6.6 Decision-making and recommendation by the Boards

After having received extensive legal and financial advice and having given due and extensive consideration to the strategic and business rationale and the financial and social aspects and consequences of the proposed transaction and having considered other available alternatives, the Boards have reached the conclusion that the Offer as contemplated in this Offer Memorandum is in the best interests of OctoPlus, its Shareholders, employees and other stakeholders.

The Executive Board has regularly consulted with the Supervisory Board throughout the Offer process, and the Supervisory Board has been extensively involved from beginning to end. The terms and conditions of the Offer, as documented in the Merger Protocol and this Offer Memorandum, have been agreed between Dr. Reddy's and OctoPlus with the prior approval of the Supervisory Board.

The Boards are of the opinion that the Offer Price and the other terms of the Offer are reasonable and fair to the Shareholders from a financial point of view. In this respect, reference is made to the Fairness Opinion, which does not form a part of this Offer Memorandum and is included in the Position Statement.

With reference to the above, the Boards fully support the Offer and unanimously recommend the Offer to the Shareholders for acceptance and therefore recommend voting in favour of all resolutions relating to the Offer to be taken at the EGM referred to in Section 6.16 (EGM) and the Position Statement (the "**Recommendation**").

## 6.7 Offer Conditions, waiver and satisfaction

### 6.7.1 Offer Conditions

The obligation of the Offeror to declare the Offer unconditional (*het bod gestand doen*) shall be subject to the satisfaction or waiver, as the case may be, in accordance with the Merger Protocol, of the conditions set out in this Section 6.7.1 (the "**Offer Conditions**"):

- (i) the number of Shares, tendered for acceptance pursuant to the Offer on the Closing Date, together with:
  - (a) any Shares directly or indirectly held by the Offeror and any of its Affiliates at the Closing Date;
  - (b) any Shares irrevocably committed to the Offeror, or any of its Affiliates, in writing; and
  - (c) any Shares to which the Offeror is entitled (*gekocht maar nog niet geleverd*),  
represents at least 92.5% of OctoPlus' aggregate issued and outstanding share capital (*geplaatst en uitstaand kapitaal*) on a fully diluted basis;
- (ii) on or prior to the Closing Date, the Governance Resolutions will have been adopted at the EGM;
- (iii) no Material Adverse Effect will have occurred in the period starting as of the Commencement Date and ending at the Unconditional Date;
- (iv) on or prior to the Unconditional Date neither OctoPlus nor the Boards or any member of the Boards shall have 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, the Offeror or the Offer; and (b) is incapable of being remedied within ten Business Days after receipt by OctoPlus of a written notice from the Offeror or has not been remedied by OctoPlus, the Boards or any member of the Boards within ten Business Days after receipt by OctoPlus of a written notice from the Offeror;

- (v) neither of the Boards shall have revoked or materially modified, amended or qualified its Recommendation;
- (vi) no public announcement has been made indicating that any person other than the Offeror is preparing or is to make a Competing Offer;
- (vii) no person other than the Offeror and its Affiliates shall have obtained the right to subscribe or has agreed to subscribe for securities in the capital of OctoPlus (including Shares) and OctoPlus not having issued or granted rights to subscribe for securities in the capital of OctoPlus (including Shares) in the period starting as of the Commencement Date and ending at the Unconditional Date;
- (viii) on or prior to the Unconditional Date, no notification will have been received from the AFM stating that preparation of the Offer has been made in violation of chapter 5.5 of the Wft, and that, pursuant to article 5:80, paragraph 2 of the Wft, investment firms (*beleggingsondernemingen*, as defined in the Wft) will not be allowed to cooperate with the settlement of the Offer;
- (ix) on or prior to the Unconditional Date trading in the Shares on the regulated market operated by Euronext Amsterdam will not have been suspended or ended as a result of a listing measure (*noteringsmaatregel*) taken by Euronext Amsterdam in accordance with Article 6901/2 or any other relevant provision of the Euronext Rulebook I (Harmonised Rules), the foregoing excluding for the avoidance of doubt any suspension on a temporary basis in the ordinary course of trading; and
- (x) on the Unconditional Date, no Governmental Order will be in effect that restricts, prohibits or materially delays the consummation of the Offer on the terms and conditions set out in the Merger Protocol or the consummation of the Merger.

#### **6.7.2 Waiver**

The Offer Conditions set out in Section 6.7.1(i) up to and including Section 6.7.1(vii) and 6.7.1(ix) are for the sole benefit of the Offeror and may be waived by the Offeror at any time by written notice to OctoPlus.

The Offer Conditions set out in Sections 6.7.1(viii) and 6.7.1(x) cannot be waived.

Neither OctoPlus nor the Offeror may invoke any of the Offer Conditions if the non-satisfaction of such condition(s) is caused by a breach of the invoking party of any of its obligations under the Merger Protocol.

#### **6.7.3 Non-fulfilment**

In accordance with the Applicable Rules, if it is ascertained by the Offeror that an Offer Condition is not satisfied or is incapable of being satisfied and the relevant Offer Condition is not or cannot be waived, the Offeror shall forthwith publicly announce this.

## 6.8 Shareholdings of the members of the Boards

### 6.8.1 Information on Shares

The individual members of the Boards jointly hold 1.1% of the Shares as shown in the following table. Such members have agreed to an irrevocable undertaking to tender their Shares under the Offer under the same terms and conditions as described in this Offer Memorandum.

Name	Number of Shares	Amount to be received	Percentage
Mr J.H. Egberts	427,119	EUR 222,101.88	0.81%
Mr. D.S. Chahal	110,950	EUR 57,694	0.21%
Mr. G. Moolhuizen	22,500	EUR 11,700	0.04%
<b>Total</b>	<b>560,569</b>	<b>EUR 291,495.88</b>	<b>1.06%</b>

### 6.8.2 Transactions by members of the Boards

Mr. Chahal, member of the Supervisory Board, performed one transaction relating to the Shares during the year preceding the publication of this Offer Memorandum.

Name	Buy/Sell	Number of Shares	Date of trade	Price per Share
Mr. D.S. Chahal	Buy	100,950	13 June 2012	EUR 0.379

## 6.9 Respective cross-shareholdings Offeror - OctoPlus

As at the date of this Offer Memorandum, neither Dr. Reddy's, nor any of its Affiliates (including the Offeror), directly or indirectly, hold any Shares.

OctoPlus and/or any of its Affiliates do not, directly or indirectly, hold any shares in the Offeror and/or Dr. Reddy's.

## 6.10 Irrevocable undertaking

### 6.10.1 Committed Shareholders

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.) (jointly the "**Committed Shareholders**") have signed irrevocable undertakings to support and accept the Offer, subject to customary conditions. The combined shareholding of the Committed Shareholders represents 62.4% of the Shares.

The Irrevocables contain customary terms and conditions, including that the irrevocable undertaking shall terminate (as a consequence of which the Committed Shareholders will not be obliged to tender their Shares or shall be entitled to withdraw their acceptance of the Offer) in the event a Competing Offer is made and the Offeror has not revised its Offer to be equally beneficial to OctoPlus and its stakeholders as the Competing Offer or has informed OctoPlus that it does not want to revise its Offer

and the Boards have withdrawn or modified and publically announced their Recommendation.

Furthermore, the Irrevocables shall terminate, amongst others, in the event that (i) either the Offeror or OctoPlus has terminated the Merger Protocol, (ii) the Offer is not declared unconditional in accordance with its terms and conditions or (iii) the Offer is declared wholly unconditional in accordance with its terms and conditions.

The Committed Shareholders shall tender their Shares against the Offer Price and against the terms and conditions of the Offer as set out in this Offer Memorandum. The Committed Shareholders did not receive any information in connection with the Offer other than contained in this Offer Memorandum.

#### **6.10.2 Committed members of the Boards**

The individual members of the Boards holding together 1.1% of the Shares have also agreed to an irrevocable undertaking to tender their Shares under the Offer against the Offer Price and against the terms and conditions of the Offer as set out in this Offer Memorandum. To the best knowledge of the Offeror and OctoPlus, these members have not received any information that is relevant for the assessment of the Offer by Shareholders other than contained in this Offer Memorandum.

### **6.11 Consequences of the Offer**

Shareholders who do not tender their Shares under the Offer should carefully review this Section, which describes certain risks they will be subject to if they elect not to accept the Offer. These risks are in addition to the risks associated with holding securities issued by OctoPlus generally, such as the exposure to risks related to the business of OctoPlus and its subsidiaries, the markets in which the OctoPlus Group operates, as well as economic trends affecting such markets generally as such business, markets or trends may change from time to time. The following is a summary of such additional key risks. Further reference is also made in this regard to Section 6.17.7 (*Business Development Agreement*), which describes when Shares may be issued to the Offeror under the BDA.

#### **6.11.1 Liquidity**

The purchase of Shares by the Offeror pursuant to the Offer will, among other things, reduce the number of Shareholders and the number of Shares that might otherwise be traded publicly, and (i) will thus adversely affect the liquidity and (ii) may affect the market value of the remaining Shares not tendered.

Furthermore, the Offeror may initiate any of the procedures set out in Sections 6.11.2 (*Delisting*) and 6.11.3 (*Legal structure and corporate structure following the Offer*) following completion of the Offer, which will further adversely affect the liquidity and may affect market value of the Shares.

As a result, the size of the free float in Shares will be substantially reduced following completion of the Offer and trading volumes and liquidity of Shares will be adversely affected. The Offeror does not intend to set up a liquidity mechanism for the Shares that are not tendered following the Settlement Date, other than that it may maintain a standard order on Euronext Amsterdam to purchase remaining Shares held by minority Shareholders against the Offer Price for a period of at least two weeks following the expiry of the Post Closing Acceptance Period. The announcement thereof, if pursued, is subject to prior regulatory clearance in accordance with the Applicable Rules.

### 6.11.2 Delisting

As soon as possible following the Offer being declared unconditional (*gestanddoening*), the Offeror and OctoPlus intend to procure that OctoPlus' listing on Euronext Amsterdam and the listing agreement between OctoPlus and Euronext Amsterdam in relation to the listing of the Shares will be terminated.

Delisting may be achieved on the basis of 95% or more of the issued share capital of OctoPlus having been acquired by the Offeror either in or outside of the Offer or on the basis of a Statutory Merger or an asset restructuring followed by dissolution of OctoPlus.

As long as the Shares remain listed on Euronext Amsterdam, OctoPlus shall continue to comply with the Dutch Corporate Governance Code except for (i) current deviations from the code and (ii) deviations from the code that find their basis in the Merger Protocol, in accordance with the "explain" requirement in respect of such deviations.

In the event that OctoPlus or any merging entity will no longer be listed and its Shares will no longer be publicly traded, the provisions applicable to the governance of listed companies will no longer apply and the rights of remaining minority Shareholders may be limited to the statutory minimum.

### 6.11.3 Legal structure and corporate structure following the Offer

The Offeror reserves the right to use any permitted method to acquire 100% of the Shares. In the event that the Offeror (together with its group companies (*groepsmaatschappijen*)) holds 95% or more of the issued share capital of OctoPlus following the Settlement Date, the Offeror will, as soon as possible, initiate squeeze-out proceedings (*uitkoopprocedure*) in accordance with article 2:92a or 2:201a of the DCC or takeover squeeze-out proceedings in accordance with article 2:359c of the DCC in order to acquire the remaining Shares not tendered and not held by the Offeror or OctoPlus.

In addition, and regardless whether or not the Offeror after completion of the Offer would hold 95% of the issued share capital of OctoPlus, the Offeror may wish 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 in accordance with the Applicable Rules and Dutch law in general, some of which may have the (side) effect of diluting the interest of any remaining minority Shareholders (the "**Post-Closing Measures**"), including without limitation:

- (i) a sale of all, or substantially all, of the assets and liabilities of OctoPlus to Dr. Reddy's or any 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 (driehoeks-)fusie*) in accordance with article 2:309 et seq of the DCC between OctoPlus, Dr. Reddy's and/or one or more Affiliate of Dr. Reddy's (a "**Statutory Merger**");
- (iv) a statutory legal demerger (*juridische splitsing*) of OctoPlus in accordance with article 2:334a et seq of the DCC;
- (v) a contribution of cash and/or assets by Dr. Reddy's or by any Affiliate 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 could be excluded and their shareholding in OctoPlus' share capital could be diluted;

- (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*), which may, amongst others, cause all Shares to become subject to transfer restrictions, if so provided in the 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.

In the event the Offeror decides to effectuate a Statutory Merger between OctoPlus and a Dutch Affiliate of the Offeror, with OctoPlus being the disappearing entity and the Dutch Affiliate of the Offeror being the surviving entity, Shareholders who have not tendered their Shares under the Offer will become, by operation of law, shareholders in the surviving entity, alongside the Offeror's shareholder(s), which surviving entity may not be listed.

Any or all of the Post-Closing Measures may be applied cumulatively, alternatively, or not at all, subject to applicable provisions of Dutch law. The Post-Closing Measures do not prevent the Offeror from seeking a termination of OctoPlus' listing on Euronext Amsterdam when it is entitled to do so under the Euronext Amsterdam listing rules.

Any Post-Closing Measure will be structured and implemented taking into account relevant circumstances and applicable laws and regulations.

#### **6.11.4 Implementation Post-Closing Measures**

In the implementation of any Post-Closing Measure, due consideration will be given to the interests of minority Shareholders, if any. The members of the Supervisory Board shall be requested to form their independent view of the relevant matter, which shall be communicated to all the Shareholders. In this respect, the Supervisory Board members shall have the opportunity to engage, for the account of OctoPlus, their own financial and legal advisors, if and to the extent they believe that the advice of such advisors is necessary to assist them in reviewing and assessing any matter that comes before the Supervisory Board.

#### **6.11.5 Other measures**

The Offeror reserves the right to submit proposals to the Shareholders in order to change the corporate structure and the capital structure of OctoPlus and/or to achieve an optimal financial or other structuring, including further amendments to the Articles of Association, changes in the accounting policies applied by the OctoPlus Group and a liquidation of OctoPlus, all in accordance with the laws of the Netherlands and the Articles of Association.

#### **6.11.6 Dividend**

The Shareholders should be aware that OctoPlus may or may not pay dividends in the future. Future dividends paid may be of a one off nature only and the amount of any dividends will depend on a number of factors associated with the Offeror's tax and financial preferences from time to time. Any Distribution made in respect of Shares after the Settlement Date will be deducted for the purpose of establishing the value per Share in any Statutory Merger or other measure contemplated by Section 6.11.3 (*Legal structure and corporate structure following the Offer*).

#### **6.11.7 Tax treatment of distributions**

The Offeror and OctoPlus can give no assurances and have no responsibility with respect to the tax treatment of Shareholders with respect to any distributions made by OctoPlus or any successor entity to OctoPlus on the Shares, which may include dividends, interest, repayments of principal, repayments of capital and liquidation distributions.

### **6.12 Integration and organisation**

The Offeror intends to maintain the identity of OctoPlus and to position OctoPlus as a stand-alone enterprise within the Dr. Reddy's Group. In addition, the Offeror intends to maintain OctoPlus' research activities and manufacturing facilities in Leiden and aims to integrate and align OctoPlus' operations and activities with the long-term strategic objectives of Dr. Reddy's Pharmaceutical Services (CPS) division, and more generally, with Dr. Reddy's as a whole. Within this context, OctoPlus' business will have full freedom to operate taking into account measurable performance targets. The activities as agreed in the BDA constitute a first step towards this alignment and positioning of OctoPlus as a research centre within the Dr. Reddy's Group.

### **6.13 Employees**

#### **6.13.1 Redundancies**

OctoPlus' employees will play a pivotal role in the future of OctoPlus and they will be treated accordingly. 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. However, at present, there are no plans to materially change the size of the labour force of OctoPlus and its subsidiaries.

Reference is made to Section 6.15 (*Severance packages of the Boards*) in respect of the employment of the members of the Executive Board.

### **6.13.2 Existing rights**

The existing rights of the employees of OctoPlus and its Affiliates will be respected, including under their individual employment agreements, collective labour agreements and social plans (if any) and including covenants made to the Works Council, provided that the Incentive Plans will be terminated subject to 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. OctoPlus shall timely inform the holders of options of this procedure.

Reference is made to Section 6.15 (*Severance packages of the Boards*) in respect of the employment of the members of the Executive Board.

### **6.13.3 Employee consultation**

The secretariat of the Social Economic Council (*Sociaal Economische Raad*) has been informed in writing of the Offer in accordance with the *SER Fusiegedragsregels 2000* (the Dutch code in respect of informing and consulting of trade unions).

The Works Council has been informed regarding the Offer. On the basis thereof, the Works Council has given its unconditional positive advice in respect of the Offer.

To the extent that intended decisions regarding any future integration or restructuring will be subject to the Works Council's advice, the proper procedures shall be followed pursuant to the Dutch Works Council Act (*Wet op de ondernemingsraden*) and in accordance with standard practice within OctoPlus.

## **6.14 Governance**

### **6.14.1 Executive Board**

The members of the Executive Board have agreed to remain with OctoPlus for a transitional period of at least 180 days after the Settlement Date. During the transitional period, the Offeror shall consider the composition of the Executive Board and make such announcements as are required or appropriate in respect of any replacement members of the Executive Board.

### **6.14.2 Future composition of the Supervisory Board**

With effect of the Settlement Date, Mrs. C. Moukheibir, Mr. R.R. Kuijten, Mr. J.C. Gale and Mr. D.S. Chahal shall resign from the Supervisory Board and Mr. G. V. Prasad and Mr. R. Ananthanarayanan shall be appointed to the Supervisory Board. The composition of the Supervisory Board following the Settlement Date shall be as follows:

- (i) Mr. Prasad (as chairman);
- (ii) Mr. Ananthanarayanan; and
- (iii) Mr. Van Reet.

### **6.14.3 Dutch Corporate Governance Code**

As long as OctoPlus has minority Shareholders and remains listed on Euronext Amsterdam, OctoPlus 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.

According to the Dutch Corporate Governance Code, all members of the Supervisory Board, with the exception of not more than one person, shall be independent within the meaning of the Dutch Corporate Governance Code (the “**Independent Member**”). Based on this requirement, as of the Settlement Date the Supervisory Board has to have at least two Independent Members out of three Supervisory Board members. However, Mr. Prasad and Mr. Ananthanarayanan who will be appointed to the Supervisory Board with effect of the Settlement Date do not qualify as Independent Members as both of them work for Dr. Reddy’s. Mr. Prasad is the Vice-Chairman and Chief Executive Officer and Mr. Ananthanarayanan is the President of Pharmaceutical Services and Active Ingredients (PSAI) of Dr. Reddy’s. The only Independent Member in the Supervisory Board as of the Settlement Date will be Mr. Van Reet.

Mr. Van Reet or, after his resignation, any replacement supervisory director that qualifies as an Independent Member shall continue to serve on the Supervisory Board until OctoPlus is delisted from Euronext Amsterdam. In his position as a member of the Supervisory Board, the Independent Member will monitor and protect the interests of all of OctoPlus’ stakeholders, including, in particular, the minority Shareholders, if any.

Any deviation from the provisions of the Dutch Corporate Governance Code has to be explained in the annual report of the non-compliant entity. Therefore, as long as OctoPlus adheres to the Dutch Corporate Governance Code, the reasons for deviation from the requirement as to the number of the Independent Members will be explained in its annual report.

#### **6.15 Severance packages of the Boards**

Dr. Reddy’s and OctoPlus have agreed that the current members of the Executive Board will continue to serve as members of the Executive Board for a period of at least 180 days after the Settlement Date and that their right pursuant to their employment contracts to receive a severance payment in the event of a “change of control” can be invoked in respect of the acquisition by Dr. Reddy’s if the relevant member of the Executive Board resigns between six months and twelve months after the Settlement Date. The severance payments for Mrs. Swarte and Mr. 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. Egberts is equal to twelve months base salary including holiday allowance plus the average annual incentive for the three calendar years preceding the termination. Based on the bonus percentages in the last three years, the severance payment would amount to EUR 525,000 for Mr. Egberts, EUR 105,000 for Mrs. Swarte and EUR 200,000 for Mr. Moolhuizen.

None of the members of the Supervisory Board is eligible to severance payments in connection with their resignation following the Settlement Date.

#### **6.16 EGM**

At the EGM the Shareholders will be requested to, subject to the Offer being declared unconditional (*gestanddoening*) and effective as per the Settlement Date:

**6.16.1** appoint Mr. Prasad and Mr. Ananthanarayanan as members of the Supervisory Board;



- 6.16.2** accept the resignation of Mrs. Moukheibir, Mr. Kuijten, Mr. Gale and Mr. Chahal as Supervisory Board member(s); and
- 6.16.3** grant to the resigning members of the Supervisory Board a full and final discharge and release from liability for their functioning as members of the Supervisory Board on the bases of information provided to the General Meeting of Shareholders, including the Offer Memorandum, the Position Statement, the explanation to the Position Statement and the press releases in connection with the Offer,

(the proposed resolutions mentioned in Sections 6.16.1 up to and including 6.16.3, collectively referred to as the “**Governance Resolutions**”).

## **6.17 Certain arrangements between the Offeror and OctoPlus**

Below is a summary of the key arrangements set out in the Merger Protocol that are relevant to the Offer and not otherwise described in this Offer Memorandum.

### **6.17.1 Commitment of OctoPlus regarding Potential Competing Offers**

The Offeror and OctoPlus have agreed that in the event a Potential Competing Offer, OctoPlus shall be permitted to allow the third party making the offer to conduct the same or substantially the same due diligence investigation as the Offeror was permitted to conduct in the context of the preparation of the Offer.

A Potential Competing Offer will be a “**Competing Offer**” if:

- (i) it is launched, or is binding on the offering party concerned in the sense that such offering party has (a) conditionally committed itself to OctoPlus to launch a Competing Offer within the timeframes as set in the Decree and the Wft, if applicable and (b) 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;
  - (ii) the consideration offered per Share exceeds the consideration per Share offered under the Offer by at least 10%. To the extent that the Potential 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
  - (iii) it is determined by the Boards, having consulted financial and legal advisors and the Offeror 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 Potential Competing Offer and the interests of all stakeholders of OctoPlus.
- 6.17.2** If the Offeror has matched any Competing Offer, the consideration per Share of any other, consecutive or amended offer made by any bona fide third party for all of the outstanding Shares or all or substantially all of the assets of the OctoPlus Group or a

merger of OctoPlus (a “**Subsequent Higher Offer**”) must exceed the most recently offered consideration per Share by the Offeror after having exercised its Matching Right by at least 5%, in order for any such Subsequent Higher Offer to qualify as a Competing Offer for the purpose of the Merger Protocol.

**6.17.3** In the event of a Competing Offer:

- (i) OctoPlus shall promptly notify the Offeror in writing and provide full details, to the extent available to it, of such Competing Offer. Furthermore, OctoPlus shall keep the Offeror informed of any material developments in relation to such Competing Offer;
- (ii) the Offeror shall have a period of ten Business Days following announcement of the Competing Offer to decide whether or not it wants to revise its Offer and match the Competing Offer (the “**Matching Right**”);
- (iii) if the Offeror exercises its Matching Right and its revised Offer 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 within the aforementioned period of ten Business Days (a “**Matching Revised Offer**”), OctoPlus shall not be entitled to accept the third party offer and/or to terminate the Merger Protocol in respect of any consecutive Competing Offer; and
- (iv) if the Offeror has not made a Matching Revised Offer or if the Offeror has informed OctoPlus that it does not wish to exercise its Matching Right, 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 the Recommendation and the Position Statement. If OctoPlus accepts the Competing Offer either OctoPlus or the Offeror shall be entitled to terminate the Merger Protocol.

**6.17.4 Termination events**

The Merger Protocol may be terminated in the following events:

- (i) if the Offeror and OctoPlus so agree in writing;
- (ii) by notice in writing given by either of the parties to the Merger Protocol (the “**Terminating Party**”) to the other party if any of the Offer Conditions has not been satisfied or waived by the relevant party in accordance with the Merger Protocol on or before the Unconditional Date, provided, the non-satisfaction of the relevant Offer Condition(s) is not due to a breach by the Terminating Party of any of its obligations under the Merger Protocol or any agreement resulting therefrom;
- (iii) by notice in writing given by the Offeror to OctoPlus 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, the Offeror or the Offer; and
  - (b) is incapable of being remedied within ten Business Days after receipt by OctoPlus of a written notice from the Offeror or has not been remedied

by OctoPlus within ten Business Days after receipt by the other party of a written notice from the Offeror;

- (iv) by notice in writing given by OctoPlus to the Offeror in case of the Offeror 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 after receipt by the Offeror of a written notice from OctoPlus or has not been remedied by the Offeror within ten Business Days after receipt by the Offeror of a written notice from OctoPlus;
- (v) by notice in writing by OctoPlus if the Offer has been commenced and all Offer Conditions have been satisfied or waived and Settlement has not taken place on the Settlement Date; or
- (vi) by notice in writing by either OctoPlus or the Offeror to the other party pursuant to the provision on a Competing Offer described in Section 6.17.3.

#### **6.17.5 Compensation of costs for Dr. Reddy's**

To induce the Offeror to enter into the Merger Protocol and to compensate the Offeror for loss of management time and other costs and expenses it has already incurred and will continue to incur in connection with the (preparation of the) Offer, OctoPlus shall pay to the Offeror an amount of EUR 500,000 if the Merger Protocol is terminated:

- (i) by the Offeror, in the event that OctoPlus has breached the Merger Protocol as described in Section 6.17.4(iii); or
- (ii) pursuant to the provision on a Competing Offer described in Section 6.17.3.

OctoPlus and Dr. Reddy's have agreed that any payment in accordance with this Section 6.17.5 shall be in lieu of and not in addition to any liability for damages up to said amounts.

Any actual damage or loss incurred in excess of such amounts will entitle the relevant party to compensation of such excess.

#### **6.17.6 Compensation of costs for OctoPlus**

To induce OctoPlus to enter into the Merger Protocol, the Offeror shall pay to OctoPlus an amount of EUR 500,000 in the event the Merger Protocol is terminated by OctoPlus pursuant to a breach thereof by the Offeror as described in Section 6.17.4(iv).

OctoPlus and Dr. Reddy's have agreed that any payment in accordance with this Section 6.17.6 shall be in lieu of and not in addition to any liability for damages up to said amounts.

Any actual damage or loss incurred in excess of such amounts will entitle the relevant party to compensation of such excess.

#### **6.17.7 Business Development Agreement**

On 13 December 2012, OctoPlus and the Offeror entered into a business development agreement (the "BDA").

Under the BDA, OctoPlus shall perform development services that are aimed at developing generic versions of certain products divided over five projects with a series of milestones for each of the projects.

As consideration for the development services to be rendered by OctoPlus in connection with the projects, Dr. Reddy's, through an Affiliate paid in advance an amount of EUR 2 million to OctoPlus on 26 October 2012. The duration of the BDA is six months from the date of such payment (the "**BDA Term**"). Each time that a milestone is completed, a part of the advanced amount that was allocated to such milestone shall be accounted for as revenue by OctoPlus. The total amounts allocated to all of the milestones in the aggregate amount to EUR 2 million. If all milestones are completed, EUR 2 million shall be recorded by OctoPlus as revenue. The balance between EUR 2 million and the part thereof that has been recorded as revenue in respect of completed milestones from time to time during the BDA Term qualifies as a convertible loan granted by the Offeror to OctoPlus (see below). In the event of a Competing Offer during the BDA Term, which is recommended by the Boards, the Offeror is entitled to terminate the BDA and either (i) request repayment of the advanced amount which has not been accounted for as revenue at the time of announcement of the Competing Offer increased with interest at a rate of EURIBOR plus 300 bps or (ii) convert such outstanding amount increased with interest at a rate of EURIBOR plus 300 bps into Shares at a conversion ratio based on the volume weighted average price for the Shares over the last five trading days preceding an announcement of the Competing Offer. The latter option was agreed to allow OctoPlus to repay the convertible loan in kind in the event it does not have sufficient liquidity available at the time the convertible loan becomes repayable. The issuance of Shares pursuant to a conversion in the event of a Competing Offer shall take place on or after 30 January 2013 and the listing of such Shares shall take place on or after 28 April 2013 in order for OctoPlus to be exempted from the obligation to publish a listing prospectus, unless an earlier issuance is necessary to enable the Offeror to tender these Shares in the Competing Offer. The Offeror may at its sole discretion decide whether it will tender any Shares acquired pursuant to the BDA under a Competing Offer. If the Offeror would decide not to tender such Shares under a Competing Offer, it may be more difficult for an offeror under such Competing Offer to reach the acceptance threshold (if any). For illustration purposes, if the amount of EUR 2 million (excluding interest) would be converted against the Offer Price, the Offeror would acquire an interest of 6.8 % of the issued and outstanding share capital of OctoPlus (disregarding any share options).

Any Shares acquired by the Offeror under the BDA will count towards the shareholding thresholds set out in this Offer Memorandum.

If at the end of the BDA Term one or more milestones for the projects have not been met, the Offeror's part of the advanced amount which can be attributed to these missing milestones based on their respective relative proportion shall be a convertible loan, unless the Offeror and OctoPlus enter into a new business development agreement within 60 days after the end of the BDA Term (the "**New BDA**") in which case the terms with respect to such amount shall be renegotiated. If OctoPlus and the Offeror do not reach an agreement on the New BDA, OctoPlus will need to repay the amount outstanding under the convertible loan within 60 days following the end of the BDA Term (the "**Remedy Period**"). If during the Remedy Period OctoPlus completes one or more of the missing milestones the amount of the convertible loan will be

reduced with the corresponding amount(s) of revenue attributable to the relevant milestone. If OctoPlus has not repaid the amount outstanding under the convertible loan increased with interest in full at the end of the Remedy Period, the Offeror may at its sole discretion either (i) request repayment of such amount or (ii) convert such amount increased with interest at a rate of EURIBOR plus 300 bps into Shares at a conversion ratio based on the volume weighted average price for the Shares of the last five trading days preceding the end of the Remedy Period.

From the date of the Merger Protocol, i.e. 21 October 2012, until the end of the BDA Term, a mutual exclusivity undertaking shall apply in respect of products and/or services competing with any of the products and/or development services which are the subject of the BDA. If a New BDA is entered into, the exclusivity undertaking shall continue to apply in respect of the relevant products, subject to any amendment thereof by agreement between the Offeror and OctoPlus. If upon expiry of the BDA Term OctoPlus has not met some or all of the milestones and the Offeror has indicated its intention to enter into a New BDA, the exclusivity undertaking shall be extended for three months and an additional three months if the Offeror and OctoPlus have not reached agreement on a New BDA but are continuing negotiations in good faith.

If by the end of the BDA Term OctoPlus has failed to achieve any milestones in relation to the projects and the BDA is terminated for cause by the Offeror in accordance with the provisions of the BDA, only OctoPlus shall remain bound to the exclusivity undertaking for nine months after the expiry of the BDA Term.

## **7 Information on OctoPlus**

### **7.1 Introduction**

OctoPlus is a specialty pharmaceutical company with strong expertise in formulation development and drug delivery. OctoPlus offers clients its expertise in combination with its proprietary drug delivery technologies, in particular PolyActive, or other drug delivery platforms such as PLGA, for the development of controlled release formulations of injectable compounds. Such depot formulation products have demonstrated strong improvement of side effect profiles, increased patient compliance and better efficacy. In addition, OctoPlus offers a wide range of services in formulation development, process development, analytical method development and current Good Manufacturing Practices (cGMP) manufacturing. OctoPlus is focused on formulation of biotech-derived compounds and small chemical molecules. Since the revision of its strategy in 2008, OctoPlus no longer invests in own product development and all of its projects are customer-funded.

OctoPlus' facilities are located in Leiden, the Netherlands, and include a cGMP manufacturing facility, laboratories and offices leased under long-term contracts. As of 21 October 2012, 111 persons (105.8 FTE) (excluding temporary staff) were employed by OctoPlus.

### **7.2 History of OctoPlus**

OctoPlus was founded in 1995 by Mr. J.J.M. Holthuis, Ph.D., who served on the Executive Board until August 2009, and Prof. D. Crommelin, Ph.D., who served as the chairperson of OctoPlus' Scientific Advisory Board until mid 2009. Initially, OctoPlus focused on providing pharmaceutical and biotechnology companies with advanced drug formulation and clinical scale manufacturing services.

Starting in 1996, OctoPlus entered into a number of agreements with Utrecht University by which OctoPlus received a worldwide exclusive license to the OctoDEX technology. While OctoPlus continued to successfully grow its contract formulation and manufacturing business, OctoPlus made the strategic decision in early 2000 to start to exploit its expertise in the drug delivery area and the versatility of the OctoDEX platform by expanding into the development of proprietary products.

In 2001, OctoPlus raised EUR 3 million from NPM Capital N.V. and 7X Life Sciences B.V. in order to progress OctoDEX-based product candidates into clinical trials. In 2003, OctoPlus was able to broaden its technology base by gaining access to a second drug delivery system, PolyActive®, through the acquisition of Chienna B.V. from IsoTis. Through collaboration with InnoCore Technologies, OctoPlus also gained access to another controlled release technology being SynBiosys.

In 2005, Life Sciences Partners, S.R. One, IPSA (formerly known as Innoven Partenaires S.A.), N.V. Fagus, SurModics and certain other parties invested EUR 18.4 million in OctoPlus, which allowed OctoPlus to fund further development of OctoPlus' proprietary technologies and the portfolio of product candidates OctoPlus was developing.

In October 2006, OctoPlus completed an IPO on Euronext Amsterdam raising EUR 20 million in gross proceeds, which enabled OctoPlus to build a product pipeline based on OctoPlus' drug delivery technologies.

In October 2008, OctoPlus signed a product rights acquisition agreement with Biolex for the sale and out-licensing of OctoPlus' commercial rights to Locteron® to Biolex in exchange of USD 149 million in up-front and milestone payments plus further royalties on sales revenues; OctoPlus already received USD 11 million as an up-front payment in that year. This agreement

marked the start of OctoPlus' new strategy, moving away from developing product candidates at OctoPlus' own expense towards out-licensing its proprietary drug delivery technologies and co-developing products with partners.

In 2009 and 2010, OctoPlus completed three private placements of shares raising EUR 13.9 million in gross proceeds. In addition and as part of the February 2009 private placement, a bridge loan facility entered into with Life Sciences Partners and S.R. One in March 2008 was converted into ordinary shares for a total amount of EUR 4.5 million (including accumulated interest). The proceeds of these private placements allowed OctoPlus to make the final investments in OctoPlus' new production facility and continue to implement its new strategy.

In October 2011, OctoPlus completed a private placement raising EUR 4 million in gross proceeds, which OctoPlus used to strengthen its balance sheet and which enabled OctoPlus to co-invest with partners in selected high-value projects in the area of specialty generics. In the first half of 2012 OctoPlus completed a private placement raising EUR 3,2 million in gross proceeds, whereby the first tranche of the Shares was issued in April 2012 and the second tranche of Shares was issued in June 2012.

## **7.3 Business overview**

### **7.3.1 Drug product development and manufacturing**

Over the last seventeen years, OctoPlus has become a worldwide provider of advanced drug formulation and clinical scale manufacturing services to the pharmaceutical and biotechnology industries, with a focus on difficult-to-formulate active pharmaceutical ingredients. All activities are performed in OctoPlus dedicated facilities in Leiden, the Netherlands, where OctoPlus operates different laboratories and a cGMP manufacturing facility.

OctoPlus offers services from early stage development of a drug (including specialty generics) in its laboratory facilities until manufacturing drugs for pre-clinical and clinical trials, and for small-scale commercial use in its cGMP manufacturing facility. OctoPlus offers a comprehensive range of services, including formulation, process development, analytical method development and drug manufacturing of both biological Active Pharmaceutical Ingredients (API), such as peptides, proteins and DNA, as well as conventional synthetic small molecules.

OctoPlus has strong expertise in parenteral formulations and especially biotech-derived and low-soluble compounds. OctoPlus has significant experience in developing longer-acting formulations, using both proprietary and non-proprietary technologies in controlled release drug delivery. OctoPlus uses this experience in its technology evaluation projects and in its specialty generics focus area. OctoPlus' cGMP manufacturing facility allows OctoPlus to offer its clients a full range of sterile pharmaceutical production options, including freeze-drying. OctoPlus also has strong expertise in the specialty generics and targets at difficult-to-formulate injectables.

OctoPlus has well-established capacities and expertise in the fields of product manufacturing and state-of-the-art formulation techniques. For example, OctoPlus has developed various protein formulations, including freeze-dried proteins, liposomal and other lipid-based products, micro/nanoparticles, immunotherapeutic formulations, as well as DNA-containing formulations for its clients. Primarily, OctoPlus formulates products that are intended for parenteral administration. In addition, OctoPlus has successfully developed other formulations, such as a pulmonary liposome formulation, a protein product for colon targeting, protein-containing gels as well as pulmonary and

topical formulations of oligonucleotides. OctoPlus' achievements in the contract formulation and manufacturing business have made OctoPlus well-known to the pharmaceutical and biotechnology industries as a quality service provider for the development of critical and complex formulations.

OctoPlus has strong expertise in combining its drug delivery systems, in particular PolyActive®, with its partners' biopharmaceutical drugs or other therapeutics to develop improved formulations of these biopharmaceutical drugs or other therapeutics. The improved products provide controlled and prolonged release of a drug, so as to enable reduced dosing frequency and reduced side effects with comparable or better efficacy relative to immediate release drugs.

### **7.3.2 Capacities**

The full spectrum of OctoPlus capacities in drug product development and manufacturing is set out below:

(i) Characterisation

OctoPlus has an analytical group capable of characterizing the therapeutic substance provided by its clients and analysing the formulated products. OctoPlus' characterization capacities include the analysis of biopharmaceuticals for which OctoPlus uses state-of-the-art technologies.

(ii) Pre-formulation and formulation

OctoPlus has developed specialised formulation technologies based on liposomes, lipid complexes, emulsions and microspheres. OctoPlus' core competencies in this area include the formulation of proteins, formulations using liposomes, and the solubilisation of low soluble compounds. OctoPlus' capabilities include the ability to freeze-dry clinical batches and small-scale commercial batches of therapeutic products. OctoPlus can formulate high-potency compounds, such as cytostatics and hormones, on a laboratory scale.

(iii) Drug delivery systems

OctoPlus uses its expertise in various drug delivery systems as an integral part of OctoPlus' formulation services. These systems include off-patent technologies based on liposomes, micelles and dispersions.

(iv) Analytical method development and validation

OctoPlus applies commonly used procedures in the biopharmaceutical industry for analytical method development and validation. In order to maintain and strengthen its position OctoPlus also develops and evaluates novel analytical techniques.

(v) Clinical manufacturing

OctoPlus has the capacity to manufacture or have manufactured a wide range of liquid and semi-solid biopharmaceutical products, including injectable, oral, dermal and pulmonary formulations, for use in clinical trials. OctoPlus' facilities comprise a fully equipped production area for aseptic filling of liquid formulations, freeze-drying and colloidal preparations. With the opening of OctoPlus' expanded manufacturing facility in June 2009, OctoPlus' manufacturing capacity increased from 3,000 units per batch to 10,000 units



per batch. Therefore, OctoPlus cannot only produce sufficient materials for toxicology, Phase I, Phase II and Phase III clinical trials, but can also manufacture small-scale commercial products.

(vi) **Stability studies**

OctoPlus performs stability studies in accordance with the International Conference on Harmonization guidelines.

**7.3.3 Market developments**

There is an on-going trend within the pharmaceutical industry where large pharmaceutical companies reduce the size of their research & development departments, effectively using more services from contract development, manufacturing and research organisations. This has a potential positive impact on the amount of OctoPlus' business. Since the economic downturn in 2008, capital markets have been tight impacting the ability of biotechnology companies to raise sufficient funds to continue their drug development efforts. This has a potential negative impact on the speed and size of the business that OctoPlus can win.

**7.3.4 OctoPlus' client base**

Since the establishment, OctoPlus has provided services to a diverse and international group of more than 160 pharmaceutical and biotechnology companies, focusing mainly on protein therapeutics and to a lesser extent on small molecule drugs. OctoPlus has contributed to more than 45 different products that have been progressed by OctoPlus' clients into clinical development, and to six products that have received regulatory approval. Currently, OctoPlus' active customer base comprises around 40 clients, which are located worldwide and include small, medium and large biotechnology as well as pharmaceutical companies.

**7.4 Objectives and strategy**

**7.4.1 Objectives**

OctoPlus is focussing on commercialising of its controlled release expertise and technologies on a product-by-product basis and further building a pipeline of products, based on its technologies and funded by clients. In addition to OctoPlus' activities in the development of controlled release products, the drug formulation and manufacturing services that started the business have remained an important part of OctoPlus' activities.

OctoPlus' goal in the area of controlled release is to combine its proprietary drug delivery technologies, in particular PolyActive®, with its partners' biopharmaceutical drugs or other therapeutics that are in need of clinical improvement. By using this technology OctoPlus aims to leverage its broad expertise in formulation development and drug delivery in order to develop pharmaceutical products that improve existing approaches to the treatment of serious illnesses.

OctoPlus does not envisage to invest significantly in product development but to use the technology in the context of a commercial agreement, whereby its clients bare the development costs. In addition, for the results of such cooperation OctoPlus should be entitled to future milestone and royalty payments.

## 7.4.2 Strategy

OctoPlus' corporate strategy comprises three key elements.

### **Continuing growth of contract formulation and manufacturing business**

OctoPlus intends to further grow its globally renowned activities in the field of drug delivery, formulation development, process development services, analytical method development and cGMP manufacturing for OctoPlus' clients.

### **Build a portfolio of licensed products**

Based on OctoPlus' proprietary technologies such as Locteron® and ESBATech, by winning technology evaluation projects, executing them successfully and converting them into licensing agreements, OctoPlus intends to expand the number of technology evaluation projects in which it combines the drug delivery technologies with its clients' biopharmaceutical drugs or other therapeutics in need of clinical improvement. OctoPlus intends to primarily apply its proprietary drug delivery technologies to those product opportunities where its partners can capitalise on the known safety, efficacy and often established drug development history of existing drugs. OctoPlus' technologies may allow it to improve the performance of many of these known biopharmaceutical drugs, of which drawbacks may include frequent or inconvenient dosing schedules, strong side effects and/or limited efficacy. Depending on the outcome of these evaluation projects OctoPlus' clients may decide to continue developing such product candidates, requiring its on-going involvement for the further formulation and manufacturing services as well as a license to OctoPlus' proprietary drug delivery technologies.

### **Build a portfolio of specialty generics products**

A number of long-acting injectables are coming off patent in the next few years, enabling OctoPlus to develop a generic version of those formulations. The required development process (including the manufacturing process) is complex and specialised and fits well with OctoPlus' expertise in difficult-to-formulate injectables. OctoPlus is uniquely positioned to develop such products and sees promising opportunities to co-invest with partners in the specialty generics area. By co-investing OctoPlus can increase its participation in the long-term financial upside of these specialty generics products.

## 7.5 Recent developments

### 7.5.1 Cooperation with Biolex

The clinically most advanced product based on OctoPlus' proprietary drug delivery technologies is Locteron®, which is being developed by Biolex, the holder of the commercial rights to Locteron®. Locteron® is a proprietary controlled release formulation of interferon alpha for the treatment of chronic hepatitis C infection (HCV). Locteron® combines interferon alpha produced by Biolex with OctoPlus' proprietary PolyActive® microspheres. This product is designed to gradually release its active pharmaceutical ingredient over a fourteen-day period after a single injection. As a result, the number of injections can be reduced from the standard 48 injections to 24 injections over the 48-week treatment period with Locteron®. It is believed that an improved side effect profile, such as experienced with Locteron®, will lead to enhanced patient compliance.

In October 2008, OctoPlus and Biolex entered into a product rights acquisition agreement (“**Product Rights Acquisition Agreement**”) and a product development and supply agreement with Biolex following earlier agreements for the co-development of Locteron®. Pursuant to these agreements, Biolex has obtained all commercialisation rights to Locteron®, while OctoPlus continued to provide development services and remain involved as manufacturer of Locteron®. In accordance with the Product Rights Acquisition Agreement OctoPlus is entitled to any revenues from the commercialisation of Locteron® through up-front and milestone payments up to USD 149 million and, as the development of Locteron® progresses, to royalties on sales revenues. To date, OctoPlus has received a USD 11 million up-front payment in 2008.

#### **7.5.2 Impact of Biolex’ insolvency**

On 3 July 2012, Biolex filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Middle District of North Carolina, whereafter a trustee has been appointed to sell the Biolex’s assets.

As Locteron® is one of the key assets of Biolex, the bankruptcy trustee (i) in order to maximise the proceeds generated from the liquidation sale and (ii) to ensure the continued development of Locteron®, is likely to sell the rights to Locteron® in their entirety.

Pursuant to the Product Rights Acquisition Agreement OctoPlus received an equity stake in Biolex of 1.83%, which has been included in the financial statements at 31 December 2011 for an amount of EUR 1.3 million. With Biolex’ voluntary petition for liquidation under Chapter 7 an impairment loss was recognised in the financial results of the first half year of 2012.

In the course of 2011 Biolex requested OctoPlus to further develop Locteron® in anticipation of Phase III clinical trials. OctoPlus completed and invoiced this development work to Biolex resulting in an accounts receivable position of EUR 1.9 million of which EUR 1,176,000 relates to manufacturing (cancellation) and development fees, incurred in 2012.

Following the bankruptcy of Biolex in July 2012, the subsequent inability of the trustee to identify a successor to take over the development of Locteron® created a challenging financial situation for OctoPlus. In particular, OctoPlus lost about EUR 15 million of expected cash flow over the next twelve months through the combined negative impact on cash of (i) the EUR 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 USD 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 the Offeror on 22 October 2012 was selected as the best choice to serve the needs of all stakeholders of OctoPlus, including its Shareholders, employees, clients and creditors.

## 7.6 Governance Structure

OctoPlus has a two-tier board structure, consisting of the Executive Board (*raad van bestuur*) and the Supervisory Board (*raad van commissarissen*).

### 7.6.1 Executive Board

The Executive Board is responsible for the day-to-day management of OctoPlus under the supervision of the Supervisory Board. The Executive Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval.

The Executive Board may perform all acts necessary or useful for achieving OctoPlus' corporate purpose, save for those acts that are prohibited by law or by the Articles of Association. The Executive Board as a whole is authorised to represent OctoPlus, as are any two members of the Executive Board acting jointly.

The Articles of Association provide that the number of members of the Executive Board will be determined by the Supervisory Board, and that the Executive Board will consist of at least one member. In the event that the Executive Board comprises two or more members, the Supervisory Board may attribute specific titles to individual members of the Executive Board, such as "Chief Executive Officer", "Chief Financial Officer" and "Chief Operating Officer".

Members of the Executive Board are appointed by the General Meeting of Shareholders following a proposal by the Supervisory Board. In view of the Dutch Corporate Governance Code, the Articles of Association provide that (i) new members of the Executive Board are appointed for a maximum term of four years, unless provided otherwise in the resolution to appoint such member, and (ii) a retiring member of the Executive Board can be reappointed immediately for a term of not more than four years at a time.

The General Meeting of Shareholders may suspend or dismiss the Executive Board members at any time. The Supervisory Board may also suspend Executive Board members at any time.

### 7.6.2 Composition of the Executive Board

The Executive Board consists of three members. Each Executive Board member has an employment agreement with OctoPlus. The employment agreements with the Executive Board members have an indefinite term. The employment agreement with Mr. Egberts can be terminated subject to a notice period of three months for the employee and six months for OctoPlus. The employment agreements with Mrs. Swarte and Mr. Moolhuizen can be terminated subject to a notice period of two months for the employee and four months for OctoPlus.

The Executive Board is composed of the following members:

<u>Name</u>	<u>Position</u>	<u>Member Since</u>	<u>Term expires</u>	<u>Term</u>
Mr. J.H. Egberts	CEO	20 May 2011	20 May 2015	4 years
Mrs. S Swarte	CFO	12 May 2010	12 May 2014	4 years
Mr. G. Moolhuizen	CBO	6 November 2008	12 May 2014	4 years

### **Mr. J.H. Egberts – Chief Executive Officer**

Mr. Egberts, M.D., has over 20 years of experience in the pharmaceutical sector. He graduated from Erasmus University Medical School in the Netherlands and he pursued the clinical part of his training at Harvard Medical School. He obtained an MBA from Stanford and started his business career in clinical research at Organon Teknika in Belgium. He worked for four years as a strategic consultant to life sciences companies at McKinsey & Company, and from 1994 onwards held business development and general management positions of increasing responsibility in the USA at Merck, Johnson & Johnson and Mölnycke Health Care. He became CEO of Novadel Pharmaceuticals Inc. in 2005. Subsequently, Mr. Egberts served as Senior Advisor in healthcare investments to private equity firm 3i Group and also gained experience in non-executive positions. Mr. Egberts joined OctoPlus on 1 January 2011 and was appointed Chief Executive Officer on 20 May 2011.

### **Mrs. S. Swarte – Chief Financial Officer**

Mrs. Swarte obtained a Master's Degree in Business Economics from Erasmus University in Rotterdam. She is also a registered controller (RC), which qualification she obtained from VU University Amsterdam. Mrs. Swarte has over nineteen years of experience in financial and strategic management. She worked at Unilever and Numico (now Danone), two large, international and publicly listed companies, where she was responsible for financial, logistic and reporting aspects. At Numico she professionalised the finance function in China, was Senior Business Controller at the Division Baby Food and most recently she was responsible for all financial aspects of the export business of Danone Baby Nutrition as Finance Director, Global Export. Mrs. Swarte joined OctoPlus on 1 August 2009 and was appointed to the Executive Board on 20 May 2010.

### **Mr. G. Moolhuizen – Chief Business Officer**

Mr. Moolhuizen received a Master's Degree in Medical Biology from Utrecht University in 1991, studied at Tohoku University, Sendai, Japan and received an MBA from the Erasmus University of Rotterdam School of Management. He then joined Pharming Group N.V., where he held positions in Business Development, eventually becoming Director, Business Development. In 1997, Mr. Moolhuizen joined ASD B.V. (currently Primagen B.V.) as Vice-President, Business Development in 1999. He joined OctoPlus in 2001, as senior manager, Business Development. He became Chief Business Officer in January 2006 and was appointed to the Executive Board on 6 November 2008.

#### **7.6.3 Supervisory Board**

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Executive Board and supervising OctoPlus' business generally. In performing its duties, the Supervisory Board is required to act in the interests of OctoPlus' business as a whole. The members of the Supervisory Board are not, however, authorised to represent OctoPlus in dealings with third parties.

The Articles of Association provide that the number of Supervisory Board members will be determined by the Supervisory Board.

The Articles of Association provide that the General Meeting of Shareholders appoints the members of the Supervisory Board following a proposal by the Supervisory Board,

provided that as long as Signet Healthcare Partners, in its capacity as general partner and manager of Life Sciences Opportunities Fund II L.P. and Life Sciences Opportunities Fund (Institutional) II L.P., holds at least 10% of the total issued share capital, one member of the Supervisory Board shall be appointed from a nomination, drawn up by Signet Healthcare Partners. A nomination drawn up by Signet Healthcare Partners containing the names of at least two persons shall be binding, provided that the General Meeting of Shareholders may deprive such nomination of its binding character by a resolution adopted by a majority of not less than two thirds of the votes cast, representing more than half of the total issued share capital. Signet Healthcare Partners has signed an Irrevocable to tender its Shares under the Offer. Reference is made to Section 6.10.1 (*Committed Shareholders*).

Pursuant to the subscription agreement entered into by OctoPlus and Van Herk dated 24 April 2012, Van Herk shall from time to time have the right to nominate one member for appointment to the Supervisory Board as long as it continues to hold at least 10% of the issued and outstanding share capital of OctoPlus, such percentage to be determined annually on 1 March. If it does not hold at least 10% of the issued and outstanding share capital of OctoPlus, on a record date, the member of the Supervisory Board who has been nominated for appointment by Van Herk shall resign as per the date of the next annual General Meeting of Shareholders, unless otherwise agreed between OctoPlus and Van Herk. Van Herk has signed an Irrevocable to tender its Shares under the Offer. Reference is made to Section 6.10.1 (*Committed Shareholders*).

The current members of the Supervisory Board have been appointed for the term set out in the table below. In view of the Dutch Corporate Governance Code, the Articles of Association provide that any newly appointed member of the Supervisory Board will serve for a maximum of four years, unless provided otherwise in the resolution to appoint the Supervisory Board member in question, and may only be reappointed twice. The General Meeting of Shareholders appoints a chairperson and the Supervisory Board appoints a deputy chairperson from amongst its members.

Under the Articles of Association, the General Meeting of Shareholders may suspend or dismiss Supervisory Board members at any time, provided that, as long as Signet Healthcare Partners holds at least 10% of OctoPlus' total issued ordinary share capital, any resolution to suspend or dismiss a member of the Supervisory Board, who is appointed from a nomination drawn up by Signet Healthcare Partners, other than on the proposal of Signet Healthcare Partners, may only be adopted with a majority of not less than two thirds of the votes cast, representing more than half of total issued share capital. The Articles of Association provide that the Supervisory Board members shall retire periodically in accordance with a rotation plan to be drawn up by the Supervisory Board.

Under the Articles of Association, the Supervisory Board can only adopt resolutions by an absolute majority of the total number of votes to be cast in a meeting where the majority of the Supervisory Board members then in office are present or represented. Each member of the Supervisory Board shall be entitled to one vote.

#### 7.6.4 Composition of the Supervisory Board

The Supervisory Board is composed of the following members:

<u>Name</u>	<u>Position</u>	<u>Member Since</u>	<u>End of term</u>
Mr. S. van Reet	Chairperson	13 June 2012	2016
Mr. R.R. Kuijten	Member	19 January 2005	2016
Mr. J. Gale	<i>Member</i>	23 April 2009	2013
Mr. C. Moukheibir	<i>Member</i>	13 June 2012	2016
Mr. D.S. Chahal	<i>Member</i>	13 June 2012	2016

##### **Dr. S. van Reet – Chairperson**

Dr. Van Reet has a long track record of successes in the pharma and biotech industry. He served among others as the Managing Director of Janssen Pharmaceutica N.V. and President of the Janssen Research Foundation, supervising the worldwide research and development activities of the Janssen Pharmaceutica Group (part of the J&J Group of Companies). Dr. Van Reet also gained extensive experience in the biotech sector as co-founder of Movetis and Chairman of their Board of Directors until the acquisition of the company by Shire. Currently, he is still active in various areas of life sciences, among others as Chairman of the Board of Actogenix and Okapi Sciences and as a regular Board member of Thrombogenics, Biocartis, TheraSolve and the VIB, the Flemish Institute of Biotechnology.

##### **Mr. R. R. Kuijten – Member, resigning as of the Settlement Date**

Mr. Kuijten obtained his Medical Doctor Degree from Utrecht University, having obtained additional training at Harvard Medical School and the Mayo Clinics. He completed his Ph.D. at the University of Pennsylvania, where he published, among others, in the New England Journal of Medicine and Cancer Research. He received research awards from the World Health Organization and the International Union Against Cancer, and was honoured with the Talma Eijkman Prize and the U-Gene Research Award for his scientific endeavours. He received an MBA from INSEAD in Fontainebleau, France. From 1992 to 2000, Mr. Kuijten was a Senior Consultant at McKinsey & Company, where he was co-leader of the European Pharmaceuticals and Healthcare Practice. He joined Life Sciences Partners (LSP) in 2001 as a General Partner. On behalf of LSP, he serves or has served on the supervisory boards or as a non-executive director of KuDOS Ltd., DNage B.V., Kreatech Holding B.V., Hybrigenics S.A., BMEYE, Nexstim and Syntaxin. Mr. Kuijten is currently board member of the NVP (*Nederlandse Vereniging van Participatiemaatschappijen*), member of the Dutch Life Sciences and Health Steering Committee (*Regiegroep LSH*), member of the NGI Valorisation Advisory Board, and chairman of the Stichting Steun Emma Kinderziekenhuis.

As Mr. Kuijten is General Partner of Life Sciences Partners, one of OctoPlus' major shareholders, he is not independent within the meaning of the Dutch Corporate Governance Code.

**Mr. J. Gale – Member, resigning as of the Settlement Date**

Mr. Gale obtained a Master's Degree in Business Administration from Chicago Booth School of Business. In 1977 he started his career with E.F. Hutton & Co and Home Insurance Co. Prior to co-founding Signet Healthcare Partners in 1998, he was head of principal investment activities and head of investment banking for Gruntal & Co. Mr. Gale is a board member of AlpexPharma SA (chairman), Cedarburg Pharmaceuticals Inc., Paladin Laboratories Inc., IGI Labs, Inc., Pfenex, Inc. and SpePharm Holding B.V. During the past five years, Mr. Gale held board positions at Avantium Holding B.V., Cydex Pharmaceuticals Inc. (chairman), Relm Wireless Corp., Indevus Pharmaceuticals, Inc., Molecular Medicine Biosciences and Abrika Pharmaceuticals, Inc. Mr. Gale resigned from the board of Indevus Pharmaceuticals, Inc. in 2011 upon the completion of the sale to Endo Pharmaceuticals Inc.

Mr. Gale is General Partner of Signet Healthcare Partners, being the general partner and manager of Life Sciences Opportunities Fund II L.P. and Life Sciences Opportunities Fund (Institutional) II L.P., together one of OctoPlus' major shareholders, and therefore not independent within the meaning of the Dutch Corporate Governance Code.

**Mrs. C. Moukheibir – Member, resigning as of the Settlement Date**

Mrs. Moukheibir MA, MBA, was CFO of Movetis, a Belgian specialty pharmaceutical company from 2008 to 2010, for which she led the IPO on Euronext Brussels and subsequently the acquisition by Shire. Previously, she was Director Capital Markets at Zeltia (from 2001 to 2007), a Spanish biopharma and consumer chemicals group, where she led financial strategy. Before joining Zeltia, she was Executive Director Investment Banking with Salomon Smith Barney and Morgan Stanley (from 1997 to 2000). Mrs. Moukheibir is currently Senior Advisor Finance and member of the Executive Board of Innate Pharma S.A. and is responsible for their financial strategy.

**Mr. D.S. Chahal – Member, resigning as of the Settlement Date**

Mr. Chahal is CEO of Exponential B.V. and CEO and co-founder of CardioGenx B.V. Previously, he was Investment Manager with Van Herk Investments and observer on the board of Devgen N.V. He gained experience in the investment community when he was a member of the Investment Committee of Gilde Healthcare II and before that as an Associate with Kempen & Co. Mr. Chahal holds an M.Sc. in Aerospace Engineering from Delft University of Technology, and an M.Sc. in Business Economics from the University of Rotterdam.

**Mr. G.V. Prasad – Member, appointed as per the Settlement Date**

Mr. Prasad joined Dr. Reddy's board of directors 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, the United States and a Masters in Industrial Administration from Purdue University, Indiana, the United States.

**Mr. R. Ananthanarayanan – Member, appointed as per the Settlement Date**

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

Dr. 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, mergers & acquisitions.

Dr. 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. 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.

Ananthanarayanan is a PhD in Pharmaceutical Technology from University of Mumbai, India.

**7.7 Major Shareholders**

The following table presents information regarding the ownership of the Shares on the date of this Offer Memorandum for each existing Shareholder (i) that beneficially owns 5% or more of the Shares and (ii) that beneficially owns less than 5% of the Shares and is a Committed Shareholder. This information is based on the information obtained from the relevant Shareholder or from the public online register on the website of the AFM (<http://www.afm.nl>).

<b>Shareholder</b>	<b>Shareholding</b>
Onroerend Goed Beheer- en Beleggingsmaatschappij A. van Herk B.V. (A van Herk is the beneficial owner)	19.75%
Signet Healthcare Partners (USA) (as general partner and manager of Life Sciences Opportunities Fund II, L.P. and Life Sciences Opportunities Fund (Institutional) II, L.P.)	14.97%
LSP III Management B.V. (Life Sciences Partners is the beneficial owner)	14.94%
SR One, Limited	9.7%
IPSA (formely known as Innoven Partenaires S.A. (France)) (on behalf of	4.88%

<u>Shareholder</u>	<u>Shareholding</u>
various FCPI Funds (Fonds Commun de Placement dans l'Innovation))	
Sodoro B.V. (Mr. Holthuis is the beneficial owner) and Mr. Holthuis	4.6%
N.V. Fagus	3.51%

## 7.8 Capital and Shares

At the date of this Offer Memorandum, the authorised share capital of OctoPlus amounts to EUR 9.6 million and is divided in 80 million ordinary shares, with a nominal value of EUR 0.12 each. The issued and outstanding share capital of OctoPlus amounts to EUR 6,320,876.88 divided into 52,673,974 ordinary shares. All ordinary shares are in registered form (*aandelen op naam*) and are traded through the book-entry facilities of Euroclear Netherlands. No depositary receipts have been issued.

## 7.9 Outstanding Options

On various occasions OctoPlus granted in total 2,623,563 (un)conditional options to the members of the Executive Board, Theratechnologies, Mr. J.J.M. Holthuis and a number of OctoPlus' employees as set out in the below overviews. Options awarded to the members of the Executive Board are described in more detail in Sections 7.9.1 (*Options to Mr. Egberts*) and 7.9.2 (*Options to Mrs. Swarte and Mr. Moolhuizen*).

<b>Unconditional options<sup>1</sup></b>				
<b>Beneficiary</b>	<b>Number</b>	<b>Exercise price</b>	<b>Start exercise period</b>	<b>End exercise period</b>
Employees	205,050	EUR 1.41	1-Jan-2013	31-Dec-2014
Mrs. Swarte	167,000	EUR 1.41	3-Mar-2013	3-Mar-2015
Mr. Moolhuizen	167,000	EUR 1.41	3-Mar-2013	3-Mar-2015
Mr. Egberts	1,034,888	EUR 1.27	30-Nov-2013	30-Nov-2015
Mrs. Swarte (awarded on performance 2010)	11,133	EUR 1.41	27-Feb-2014	27-Feb-2016
Mr. Moolhuizen (awarded on performance 2010)	11,133	EUR 1.41	27-Feb-2014	27-Feb-2016
Mr. Egberts (awarded on performance 2011)	121,752	EUR 1.27	21-Feb-2015	20-Feb-2017
Mrs. Swarte (awarded on performance 2011)	27,834	EUR 1.27	21-Feb-2015	20-Feb-2017
Mr. Moolhuizen (awarded on performance 2011)	16,700	EUR 1.27	21-Feb-2015	20-Feb-2017
Theratechnologies	200,000	EUR 3.95	26-Sep-2007	1-Oct-2015
Mr. Holthuis	73,500	EUR 3.43	29-Dec-2004	31-Jul-2014

<sup>1</sup> Any options not exercised during the accelerated option exercise period shall lapse at the end of the exercise period (see Section 7.10.3 (*2010 Option Plan*)).

<b>Unconditional options<sup>1</sup></b>				
<b>Beneficiary</b>	<b>Number</b>	<b>Exercise price</b>	<b>Start exercise period</b>	<b>End exercise period</b>
Mr. Holthuis	76,870	EUR 2.70	1-Apr-2006 (7,100) 31-Dec-2006 (69,770)	31-Jul-2014
<b>Total</b>	<b>2,112,860</b>			

<b>Conditional options</b>				
<b>Beneficiary</b>	<b>Number</b>	<b>Exercise price</b>	<b>Start exercise period</b>	<b>End exercise period</b>
Mr. Egberts (to be awarded on performance 2012) <sup>1</sup>	121,752	EUR 1,27	1-Feb-2016	30-Jan-2018
Mrs. Swarte (to be awarded on performance 2012) <sup>2</sup>	55,666	EUR 0,46	1-Feb-2016	30-Jan-2018
Mr. Moolhuizen (to be awarded on performance 2012) <sup>2</sup>	55,666	EUR 0,46	1-Feb-2016	30-Jan-2018
Mr. Egberts (to be awarded on performance 2013) <sup>3</sup>	121,751	EUR 1.27	1-Feb-2017	31-Jan-2019
Mrs. Swarte (to be awarded on performance 2013) <sup>3</sup>	72,367	The price is equal to the price on 1 Jan of the year of performance	1-Feb-2017	31-Jan-2019
Mr. Moolhuizen (to be awarded on performance 2013) <sup>3</sup>	83,501	The price is equal to the price on 1 Jan of the year of performance	1-Feb-2017	31-Jan-2019
<b>Total</b>	<b>510,703</b>			

### 7.9.1 Options to Mr. Egberts

In December 2010, OctoPlus granted 850,000 unconditional options and 300,000 conditional options at an exercise price of EUR 1.27 per Share to Mr. Egberts, who formally started working for OctoPlus on 1 January 2011. The number of unconditional options Mr. Egberts received or will receive from these conditional options depends on certain pre-defined performance criteria in the years 2011, 2012 and 2013, with 1/3 of

<sup>2</sup> These options, if granted, shall be settled in cash (see Section 7.10.3 (2010 Option Plan)).

<sup>3</sup> These conditional options shall lapse at the termination of the option plans at the Settlement Date (2010 Option Plan).

the conditional options related to each of the three years. The pre-defined performance criteria may include market conditions.

In December 2011, OctoPlus granted a total of 184,888 unconditional options and 65,255 conditional options at an exercise price of EUR 1.27 per Share to Mr. Egberts pursuant to the anti-dilution clause in his option contract, following the financing round in October 2011. These conditional options were received under identical conditions as the conditional options initially granted in 2010. The option contract with Mr. Egberts stipulates that for each follow-on financing round after the December 2010 financing round he will receive additional options so that the potential pro rata participation of Mr. Egberts in OctoPlus share capital remains unchanged.

The vesting period for the unconditional anti-dilution options granted to Mr. Egberts in 2011 is two years so that the end of the vesting period of these unconditional anti-dilution options is aligned with the end of the vesting period for the unconditional options initially granted to Mr. Egberts in December 2010.

Mr. Egberts achieved 100% of his performance criteria in 2011 and as a consequence he received 121,752 unconditional options (1/3 of the 300,000 conditional options plus 1/3 of the 65,255 conditional options) on 21 February 2012 relating to his performance in the year 2011.

#### **7.9.2 Options to Mrs. Swarte and Mr. Moolhuizen**

In March 2010, the Supervisory Board granted 167,000 conditional options to acquire Shares at an exercise price of EUR 1.41 per Share to both Mrs. S. Swarte and Mr. Moolhuizen. The number of unconditional options each of them will receive depends on certain pre-defined performance criteria for each person in the financial years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years. Any conditional options not granted based upon the 2010, 2011 and 2012 performance may be granted in 2013 when certain pre-defined performance criteria related to the 2013 performance are met.

Mrs. Swarte and Mr. Moolhuizen both achieved 20% of their 2010 performance criteria and as a consequence each person received 11,133 unconditional options from the 55,667 (i.e. 1/3 of 167,000) conditional options granted to each of them and relating to her/his performance in the year 2010.

Mrs. Swarte achieved 50% of her 2011 performance criteria and as a consequence she received 27,834 unconditional options from the 55,667 conditional options granted to her and relating to her performance in the year 2011. Mr. Moolhuizen achieved 30% of his 2011 performance criteria and as a consequence he received 16,700 unconditional options from the 55,667 conditional options granted to him and relating to his performance in the year 2011.

### **7.10 Incentive Plans**

#### **7.10.1 2003 Option Plan**

In 2003, OctoPlus adopted a share option plan as one of the elements of the remuneration policy for senior personnel. In 2004 and 2006, OctoPlus granted options pursuant to a standard share option agreement with an exercise price between EUR 3.43 and EUR 4.34 (2004) and between EUR 2.70 and EUR 4.55 (2006), subject to customary adjustment provisions and an exercise period of the options between 37 months and 60 months following the date of grant. In addition, the exercise prices of

the options would be adjusted if shares were to be issued below the applicable exercise price of the options, subject to certain conditions.

For all options granted in 2004 and 2006, any unexercised options held by an employee shall lapse in case of termination of the employment. The Supervisory Board and Executive Board have the authority to decide, in favour of the respective employee, to deviate from these terms and may decide that the exercise period for some of the options held by former employees shall be extended.

Mr. Holthuis is the only person that currently has options under this option plan.

#### **7.10.2 2006 Option Plan**

With a view to the initial public offering (IPO) in October 2006, OctoPlus adopted a new share option plan. The share option agreements entered into prior to the IPO (i.e. the 2003 Option Plan) remained in place. The 2006 Option Plan has been revised in 2010.

Under the 2006 Option Plan, the Supervisory Board was entitled to, at its discretion, grant options to OctoPlus' employees. The criteria for the granting of options, as well as the exercise price, were determined by the Supervisory Board. The exercise period of the options would be 60 months following the date of grant. The granting of options to the Executive Board could be made subject to the approval of the General Meeting of Shareholders.

All unexercised options held by an employee would lapse in case of termination of that person's employment or resignation, except in cases of death, permanent disability or retirement. In the event that the option holder would cease to be an employee for any reason other than death, permanent disability or retirement, OctoPlus could force that employee to disgorge a specified portion of any profits realised from the exercise of those options. The Executive Board had the authority to decide, in favour of the respective employee, to deviate from the above described terms.

OctoPlus was not permitted to grant options to its employees and members of the Executive Board, which if exercised, would represent more than 7.5% of OctoPlus' issued share capital, unless the General Meeting of Shareholders approves otherwise.

In 2006, OctoPlus granted options pursuant to the 2006 Option plan with an exercise price between EUR 2.70 and EUR 4.55.

Mr. Holthuis is the only person that currently has options under this option plan.

#### **7.10.3 2010 Option Plan**

On 12 May 2010, a revised option plan was approved by the General Meeting of Shareholders and the Supervisory Board. The revised plan is applicable for all options granted from 1 January 2010 onwards. Under the plan, each unconditional option has a vesting period of three years during which no options can be exercised followed by an exercise period of two years. Option rights automatically forfeit when an employee leaves OctoPlus. Repayment of part of the award is no longer required. The conditions and exercise price of the options granted pursuant to the 2010 Option Plan are agreed upon between OctoPlus and each employee subject to the plan on an individual basis within the framework of the regulations of the 2010 Option Plan.

Pursuant to the Merger Protocol, OctoPlus and Dr. Reddy's agreed to terminate the Incentive Plans subject to the Settlement taking place. 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 the accelerated option exercise period shall lapse. As a result thereof Mrs. Swarte and Mr. Moolhuizen shall not be able to receive any options to which they are entitled for their performance in the year 2012. Therefore, it has been agreed that Mrs. Swarte and Mr. Moolhuizen shall be compensated in an amount with a maximum of EUR 6,679.92 in the aggregate, calculated as the difference between the exercise price per option and the Offer Price, times the number of options granted to them.

## 8 Information on the Offeror and Dr. Reddy's

### 8.1 Description of the activities

The Offeror is a holding company that was incorporated on 20 February 1997 and is a wholly-owned subsidiary of Dr. Reddy's. The Offeror does not have any operations and its main activity is holding shares or similar interests in other companies. The sole shareholder of the Offeror is Dr. Reddy's Laboratories S.A. with its registered address at Elisabethenanlage 11, 4051, Basel, Switzerland, registered with the trade registry under number CH-645.4.101.170-3. Dr. Reddy's Laboratories S.A. is a wholly owned subsidiary of Dr. Reddy's. Reference is also made to the structure chart in Section 8.3.2 (*Simplified group structure of Dr. Reddy's*).

### 8.2 Management structure of the Offeror

The management board of the Offeror consists of two members:

- (i) Mr. A.R. Kallam as director A; and
- (ii) Intertrust (Netherlands) B.V. as director B.

The management board of the Offeror is authorised to represent the Offeror. In addition, a director A acting jointly with a director B or a director B acting solely may represent the Offeror.

### 8.3 Information on Dr. Reddy's

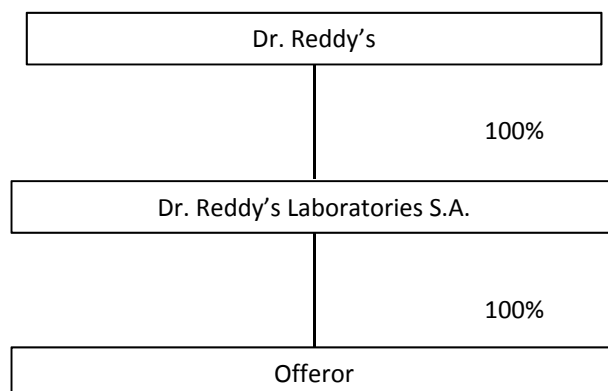
#### 8.3.1 Introduction

Dr. Reddy's was incorporated in India under the Companies Act, 1956, by its promoter and the current Chairman, Dr. K. Anji Reddy, as a private limited company on 24 February 1984. It was converted into a "public limited company" on 6 December 1985 and listed on the Indian Stock Exchanges in August 1986 and on the New York Stock Exchange in April 2001.

Dr. Reddy's is registered with the Registrar of Companies, Andhra Pradesh, Hyderabad, India as Company No. 4507 (Company Identification No. U85195AP1984 PLC 004507). The registered office is situated at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Andhra Pradesh 500 034, India and the telephone number of the registered office is +91-40-49002900.

#### 8.3.2 Simplified group structure of Dr. Reddy's

The below structure chart is simplified and only reflects the holding structure between Dr. Reddy's and the Offeror.



### 8.3.3 Management structure of Dr. Reddy's

Dr. Reddy's has a one-tier board of directors comprising of executive and non-executive members. Dr. Reddy's directors are experts in the diverse fields of medicine, chemistry and medical research human resource development, business strategy, finance, and economics. Dr. Reddy's board of directors consists of the following individuals:

- (i) Executive directors
  - (a) Dr. K. Anji Reddy (Chairman);
  - (b) Mr. G.V. Prasad (Vice Chairman and Chief Executive Officer); and
  - (c) Mr. Satish Reddy (Managing Director & Chief Operating Officer).
- (ii) Non-executive directors
  - (a) Mr. A. Puri;
  - (b) Dr. B. Carter;
  - (c) Dr. J.P. Moreau;
  - (d) Ms. K. Morparia;
  - (e) Dr. O. Goswami;
  - (f) Mr. R. Bhoothalingam;
  - (g) Dr. A. Ganguly; and
  - (h) Mr. S. Iyengar.

### 8.3.4 Business description

Dr. Reddy's is an integrated global pharmaceutical company committed to providing affordable and innovative medicines through their three core business segments:

- (i) Global Generics segment, which includes the branded and unbranded prescription and over-the-counter (OTC) drug products business;
- (ii) Pharmaceutical Services and Active Ingredients (PSAI) segment, which consists of the Active Pharmaceutical Ingredients (API) business and Custom Pharmaceutical Services (CPS) business; and
- (iii) Proprietary Products segment, which consists of the New Chemical Entities (NCEs) business, Differentiated Formulations business and the dermatology focused specialty business operated through Promius™ Pharma.

Dr. Reddy's has a strong presence in highly regulated markets such as the United States, the United Kingdom and Germany, as well as in emerging markets such as India, Russia, Venezuela, Romania, South Africa and certain countries of the former Soviet Union.



### 8.3.5 Products and services

Dr. Reddy's specialises in the following products and services:

(i) Global Generics

Through its branded and unbranded Global Generics segment, Dr. Reddy's offers lower-cost alternatives to highly priced innovator brands, both directly and through key partnerships. For branded generics Dr. Reddy's seeks to have a portfolio that is strongly differentiated and offers compelling advantages to doctors and patients. In respect of the unbranded generics it aims to deliver first to market products to the customers, including pharmacy chains and distributors, to ensure that they have high product availability combined with low inventories, resulting in superior inventory turns while addressing their customers' needs.

Further, Dr. Reddy's vertical integration and process innovation ensures that the products remain price competitive.

(ii) Pharmaceutical Services and Active Ingredients

This segment is comprised of Active Pharmaceutical Ingredients (API) business and Custom Pharmaceutical Services (CPS) business. Through the API and CPS businesses, Dr. Reddy's offers technologically advanced product lines and niche product services through partnerships internally and externally. Product offerings in the API business are positioned to offer intellectual property and technology-advantaged products to enable launches ahead of others at competitive prices. Through the CPS business, Dr. Reddy's aims to offer niche product service capabilities, technology platforms, and competitive cost structures to innovator companies.

(iii) Proprietary Products

Proprietary products business is comprised of Differentiated Formulations Business, New Chemical Entity (NCE) Research Business and the dermatology focused Specialty Business. Emerging Differentiated Formulations portfolio, which consists of new, synergistic combinations as well as technologies that improve safety and/or efficacy by modifying pharmacokinetics of existing medicines, is focused on significant clinically unmet needs. Dr. Reddy's also investigates new indications for existing medicines. In respect of the NCEs Dr. Reddy's focusses on the discovery, development and commercialisation of novel small molecule agents in therapeutic areas such as bacterial infections, metabolic disorders and pain and inflammation. Furthermore, in the Specialty Business Dr. Reddy's has a portfolio of in-licensed patented dermatology products and off-patent cardiovascular products. Dr. Reddy's also has an internal pipeline of dermatology products that are in different stages of development.

### 8.3.6 Main shareholders

All of Dr. Reddy's shares have the same voting rights. As on 30 November 2012, a total of 25.56% of Dr. Reddy's shares were held by:

(i) Mr. G.V. Prasad (Vice Chairman and Chief Executive Officer);

(ii) Mr. Satish Reddy (Managing Director and Chief Operating Officer);

- (iii) Mrs. K. Samrajyam, wife of Dr. K. Anji Reddy, and Mrs. G. Anuradha, wife of Mr. G.V. Prasad (hereafter collectively referred as the “**Family Members**”); and
- (iv) Dr. Reddy’s Holdings Limited (formerly known as Dr. Reddy’s Holdings Private Limited) (a company in which Dr. K. Anji Reddy owns 40% of the equity and the remainder is held by Mr. G.V. Prasad, Mr. Satish Reddy and the Family Members).

The following table sets out information regarding the beneficial ownership of Dr. Reddy’s shares as on 30 November 2012:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Percentage of shares</b>
Mr. G.V. Prasad	1,365,840	0.80%
Mr. Satish Reddy	1,205,832	0.71%
Family Members	1,116,856	0.66%
Dr. Reddy’s Holdings Limited	39,729,284	23.39%
<b>Subtotal</b>	<b>43,417,812</b>	<b>25.56%</b>
Others/public float	126,416,183	74.44%
<b>Total number of shares outstanding</b>	<b>169,833,995</b>	<b>100.00%</b>

To the best of the Offeror’s knowledge, the information regarding the beneficial ownership of Dr. Reddy’s shares has not materially changed between 30 November 2012 and the date of this Offer Memorandum. Beneficial ownership is determined in accordance with rules of the SEC, which provides that shares are beneficially owned by any person who has voting or investment power with respect to the shares. All information with respect to the beneficial ownership of any principal shareholder has been furnished by that shareholder and, unless otherwise indicated, Dr. Reddy’s believes that persons named in the table above have sole voting and sole investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable.

## 9 Further declarations pursuant to the Decree

### 9.1 Declarations

In addition to the other statements set out in this Offer Memorandum, (i) the Offeror and/or Dr. Reddy's with regard to subjects referred to Sections 9.1.2 and 9.1.5 (ii) OctoPlus with regard to Section 9.1.6 and (iii) the Offeror, Dr. Reddy's and the Boards jointly with regard to subjects referred to in Sections 9.1.1, 9.1.3 and 9.1.4 hereby declare as follows.

- 9.1.1** There have been consultations between Dr. Reddy's and OctoPlus regarding the Offer, which have resulted in (conditional) agreement regarding the Offer. Discussions regarding the Offer, including, but not limited to, the Offer Price, the financing of the Offer, the Offer Conditions and the future strategy of the Combined Group, took place between Dr. Reddy's and the Boards and their respective advisors.
- 9.1.2** With due observance of and without prejudice to Sections 2 (*Restrictions*) and 3 (*Important information*), the Offer concerns all outstanding Shares in the capital of OctoPlus and applies on an equal basis to all Shares and Shareholders.
- 9.1.3** With reference to Annex A, paragraph 2, sub-paragraph 5 of the Decree, neither the Offeror, nor Dr. Reddy's, nor any of the members of Dr. Reddy's board of directors, the members of the Offeror's management board and the members of the Boards, nor any of these members' spouses (*echtgenoten*), registered partners (*geregistreerde partners*), minor children (*minderjarige kinderen*) nor any entities over which these persons have control (*zeggenschap hebben over*) whether directly or indirectly, hold any securities in OctoPlus at the date on which the request for approval of this Offer Memorandum has been sent, other than the Shares held by members of the Boards as described in Section 6.8 (*Shareholdings of the members of the Boards*).
- 9.1.4** With reference to Annex A, paragraph 2, sub-paragraphs 6 and 7 of the Decree, no transactions or agreements in respect of securities in OctoPlus have been effected or concluded and no similar transactions have been effected or concluded in respect of securities in OctoPlus by the Offeror or any of its Affiliates, Dr. Reddy's, any of the members of Dr. Reddy's board of directors, the members of the Offeror's management board or the members of the Boards, any of these members' spouses (*echtgenoten*), registered partners (*geregistreerde partners*), minor children (*minderjarige kinderen*) or any entities over which these persons have control (*zeggenschap hebben over*) in the year preceding the date of public announcement of the availability of this Offer Memorandum, other than the following agreements and arrangements (i) the Irrevocables agreed by the Offeror with the Committed Shareholders as described in Section 6.10 (*Irrevocable undertaking*), (ii) in respect of the Shares held by members of the Boards as described in Section 6.8 (*Shareholdings of the members of the Boards*), (iii) in respect of employees of OctoPlus as described in Section 7.10 (*Incentive Plans*) and (iv) in respect of the Shares held by Van Herk as described in Section 7.6.3 (*Supervisory Board*).
- 9.1.5** The costs incurred or to be incurred by the Offeror and Dr. Reddy's in relation to the Offer are expected to amount to approximately EUR 950,000 and comprise finance arrangement fees, bank advisor fees, listing and Exchange Agent fees, broker commissions, legal fees, financial and tax due diligence fees, public relations and communications advice and printing. These costs will be borne by the Offeror.

**9.1.6** The costs of OctoPlus' fees of legal advisors, financial advisors, accountants and communications advisors incurred and expected to be incurred in relation to the Offer amount to approximately EUR 320,000. These costs will be borne by OctoPlus.

## 10 Tax aspects of the Offer

### 10.1 Netherlands

#### 10.1.1 General

The following summary of material Netherlands tax considerations with respect to the acceptance of the Offer is based upon Netherlands tax laws in effect at the date of this document. Legislative changes may, however, be forthcoming that could alter or modify the statements and conclusions set out herein. Any such changes may be retroactive and could affect the Netherlands tax considerations as addressed. This summary does not purport to be a legal opinion or to address all Netherlands tax considerations that may be relevant with respect to the acceptance of the Offer. Each holder of Shares is urged to consult its own tax adviser as to the particular Netherlands tax considerations to such holder of the acceptance of the Offer, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this document, and of any actual changes in applicable tax laws after such date. For the purpose of this summary, the terms “the Netherlands” and “Dutch” refer solely to the part of the Kingdom of the Netherlands in Europe.

#### 10.1.2 Scope

Regardless of whether or not a holder of Shares is, or is (deemed to be) treated as being, a resident of the Netherlands, this summary does not address the Netherlands tax considerations for such a holder:

- (i) having a substantial interest (*aanmerkelijk belang*) in OctoPlus (such a substantial interest is generally present if an equity stake of at least 5%, or a right to acquire such a stake, is directly or indirectly held, together with his or her partner, in each case by reference to OctoPlus' total issued share capital, or the issued capital of a certain class of shares);
- (ii) who is a private individual and may be taxed for the purposes of Netherlands income tax (*inkomstenbelasting*) as an entrepreneur (*ondernemer*) having an enterprise (*onderneming*) to which the Shares are attributable, or who may otherwise be taxed with respect to benefits derived from the Shares being treated as income derived from work and home (*werk en woning*) including but not limited to income from miscellaneous activities (*resultaat uit overige werkzaamheden*);
- (iii) is a (resident or non-resident) corporate entity, and for the purposes of Netherlands corporate income tax (*vennootschapsbelasting*) and Netherlands dividend tax (*dividendbelasting*), has, or is deemed to have, a participation (*deelneming*) in OctoPlus (such a participation is generally present in the case of an interest of at least 5% of OctoPlus' nominal paid-in capital);
- (iv) which is a corporate entity and an exempt investment institution (*vrijgestelde beleggingsinstelling*) or investment institution (*beleggingsinstelling*) for the purposes of Netherlands corporate income tax, a pension fund, or otherwise not a taxpayer or exempt for tax purposes;
- (v) which receives or received the Shares as income from employment or deemed employment or otherwise as compensation;

- (vi) which is deemed to hold the Shares on the basis of the attribution rules of article 2.14a of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);
- (vii) which is a corporate entity and resident of Aruba, Curaçao or Sint Maarten; or
- (viii) which is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the Shares and/or the benefits derived from the Shares.

### 10.1.3 Acceptance of the Offer

- (i) Withholding tax

The Offer Price may be paid free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

- (ii) Income tax

- (a) Resident holders

A holder who is a private individual and a resident, or treated as being a resident of the Netherlands for the purposes of Netherlands income tax, must record the Shares as assets that are held in box 3. Taxable income with regard to the Shares is then determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return is fixed at a rate of 4% of the holder's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the yield basis exceeds a certain threshold. Such yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Shares, less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of the Shares will be included as an asset in the holder's yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Therefore, acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by such holders of Shares, does not give rise to Netherlands income tax.

- (b) Non-resident holders

A holder who is a private individual and neither a resident, nor treated as being a resident of the Netherlands for the purposes of Netherlands income tax, will not be subject to Netherlands income tax in respect of benefits derived from the Shares.

Therefore, acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by such holders of Shares, does not give rise to Netherlands income tax.

(iii) Corporate income tax

(a) Resident holders or non-resident holders having a Netherlands permanent establishment

A holder which is a corporate entity and for the purpose of Netherlands corporate income tax a resident (or treated as being a resident) of the Netherlands, or a non-resident having (or treated as having) a permanent establishment in the Netherlands to which the Shares are attributable, is taxed in respect of benefits derived from the Shares at rates of up to 25%.

Therefore, any gain realised by such holder as a result of acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by such holders of Shares, is subject to Netherlands corporate income tax at rates of up to 25%.

(b) Non-resident holders

A holder which is a corporate entity and for the purposes of Netherlands corporate income tax is neither a resident, nor treated as being a resident, of the Netherlands, nor having a permanent establishment in the Netherlands (and not treated as having such a permanent establishment), will not be subject to Netherlands corporate income tax in respect of benefits derived from the Shares.

Therefore, acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by such holders of Shares, does not give rise to Netherlands corporate income tax.

**10.1.4 Gift and inheritance tax**

Acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by holders of Shares, does not give rise to Netherlands gift and inheritance tax, neither for resident holders nor for non-resident holders.

**10.1.5 Other taxes**

No Netherlands turnover tax (*omzetbelasting*) will arise for holders of Shares in respect of the acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by holders of Shares. Furthermore, no Netherlands registration tax, capital tax, transfer tax or stamp duty (nor any other similar Dutch tax or duty other than court fees) will be payable in connection with the acceptance of the Offer itself, i.e. acceptance of the Offer Price in cash by holders of Shares.

**10.2 United States**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF SHARES ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFER MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF SHARES UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C)

HOLDERS OF SHARES SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

#### 10.2.1 General

The following is a summary of certain U.S. federal income tax consequences of the sale of Shares by a U.S. Holder (as defined below) pursuant to the Offer. This summary deals only with holders of the Shares that are U.S. Holders and hold the Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 % or more of the voting stock of OctoPlus, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the sale of Shares by the partnership pursuant to the Offer.

The summary assumes that OctoPlus is not and has never been a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. If OctoPlus were to be, or have been, a PFIC for the current or any past taxable year, materially adverse consequences could result for U.S. Holders.

The summary as set out in in this Section 10.2 (*United States*) is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL INVESTORS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX**



## **CONSEQUENCES TO THEM OF PARTICIPATING IN THE OFFER, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### **10.2.2 Sale of Shares pursuant to the Offer**

A U.S. Holder's sale of Shares pursuant to the Offer will be a taxable transaction. A U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year.

A U.S. Holder's tax basis in a Share will generally be its U.S. dollar cost. The U.S. dollar cost of a Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Shares traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (IRS). The amount realised on a sale or other disposition of Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

### **10.2.3 Disposition of foreign currency**

Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to its U.S. dollar value on the Settlement Date. Any gain or loss recognised on a sale or other disposition of a foreign currency (including upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### **10.2.4 Backup withholding and information reporting**

Proceeds from the Offer paid by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

## 11 Press releases

### 11.1 Joint press release Dr. Reddy's and OctoPlus dated 22 October 2012

This is a joint press release by Dr. Reddy's Laboratories Ltd. ("Dr. Reddy's") and OctoPlus N.V. ("OctoPlus" or the "Company") pursuant to the provisions of Section 5, paragraph 1, and Section 7, paragraph 4 of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*) in connection with the intended public offer by Dr. Reddy's, or a wholly owned subsidiary of Dr. Reddy's, for all the issued and outstanding ordinary shares in the capital of OctoPlus. This press release is an announcement that a conditional agreement has been reached between OctoPlus and Dr. Reddy's in connection with a potential public offer and does not constitute, or form part of, an offer or any solicitation of an offer, to acquire or subscribe or sell any securities in OctoPlus. Any offer will be made by means of the publication of an offer memorandum only. This announcement is not for release, publication, dissemination, or distribution, in whole or in part, in or into Australia, Canada and Japan.

### **Dr. Reddy's Laboratories intends to make a recommended public offer for OctoPlus N.V.**

**Later this morning at 10:00 CET the company will hold a conference call for media and analysts in which CEO Jan Egberts will give an introduction on the intended offer and will answer questions. The dial-in number is +31 (0) 45 6316902 – Conference ID 4571659**

#### **Transaction highlights**

- Dr. Reddy's and OctoPlus have reached conditional agreement on a recommended all cash offer by Dr Reddy's for all issued and outstanding ordinary shares in the capital of OctoPlus at an offer price per share of € 0.52 (cum dividend)
- The offer price represents a premium of 30% over the closing price of OctoPlus of 19 October 2012
- The Executive and Supervisory Boards of OctoPlus fully support and unanimously recommend the offer
- Members of the Executive Board have agreed to stay on in the employment of OctoPlus during the transition period extending to 6 (six) months immediately following the Settlement Date
- Onroerend Goed Beheer- en Beleggingsmaatschappij A. Van Herk B.V., LSP III Omni Investment Coöperatief U.A., Signet Healthcare Partners, L.L.C., SR One, Limited and certain individual members of the Executive and Supervisory Boards of OctoPlus, together representing just over 50% of OctoPlus' issued and outstanding shares, have irrevocably committed to tender their shares under the intended offer
- The transaction will be financed with funds readily available at Dr. Reddy's
- OctoPlus' identity and head office will be maintained
- Dr. Reddy's and OctoPlus agreed to enter into a business collaboration agreement for investigational formulation research

## Strategic rationale

- Extend the expertise and scientific capabilities of Dr. Reddy's in drug formulation and injectables
- Further develop OctoPlus as a complex injectables research centre within the organization of Dr. Reddy's
- Leverage existing skills and drive value in the complex generics space, in addition to the fee for service business

**Hyderabad/Leiden, 22 October 2012 – Dr. Reddy's (NYSE: RDY) and OctoPlus (Euronext Amsterdam: OCTO) jointly announce that they have reached conditional agreement in connection with an intended public offer by Dr. Reddy's, or a wholly owned subsidiary of Dr. Reddy's, for all issued and outstanding ordinary shares in the capital of OctoPlus at an offer price of € 0.52 (cum dividend) in cash (the "Offer Price") for each OctoPlus share (the "Offer").**

The Offer Price represents a premium of 30% over OctoPlus' most recent closing price and a premium of respectively 36%, 28% and 14% over OctoPlus' average closing price for the past three, six and twelve months. Dr. Reddy's offer price is also a significant premium over analyst estimates of OctoPlus valuation, excluding Locteron over the past two years. After the emergence of All Oral Hepatitis C treatments, the value of Locteron has eroded significantly.

The Offer values 100% of the issued and outstanding ordinary shares of OctoPlus at € 27.4 million.

The Executive Board and the Supervisory Board of OctoPlus fully support and unanimously recommend the Offer to OctoPlus' shareholders.

**Mr. GV Prasad, CEO Dr. Reddy's comments;** *"We are happy to have an R&D base in the Leiden area and the acquisition gives us the ability to strengthen our technological capabilities in the areas of drug delivery."*

**Mr. Jan Egberts, CEO of OctoPlus comments;** *"We are proud of the confidence Dr. Reddy's has shown in our organisation. It reflects the success of the major operational and organizational improvements we have implemented over the past few years."*

*The intended public offer price reflects the value of OctoPlus after the recent value erosion of Locteron. Over the last few months the value of Locteron has significantly eroded, due to the ongoing emergence of All Oral Hepatitis C treatments, which ultimately resulted in the recently initiated bankruptcy liquidation filing of Biolex. Over the last few months, we have reviewed a number of alternative strategies for our company. We have concluded that the intended offer by Dr. Reddy's best serves the interest of our key stakeholders, including our employees and shareholders.*

*OctoPlus' development and manufacturing platform perfectly fits with Dr. Reddy's marketing abilities. Dr. Reddy's is keen to further expand into the fast growing Fee for Service business. To that extend they will retain OctoPlus as a specialist stand alone entity to develop specialty generics for Dr. Reddy's. OctoPlus will become Dr. Reddy's centre of excellence for complex injectables with retention of our highly skilled and dedicated professionals in our Leiden facility.*

*The intended public offer is a recognition of our hard work over the past years, transforming OctoPlus into a company with a strong position in development and manufacturing of difficult*

*to formulate injectables. We are proud of our recent progress including the generation of three specialty generics products over the past twelve months and our 40% revenue growth in our Fee for Service business compared to last year. The intended offer will give OctoPlus the opportunity to grow its successful platform faster and stronger than would have been possible on a stand alone basis.”*

### **Strategic rationale**

Dr. Reddy's has been following the activities of OctoPlus over a longer period with great interest and got convinced the Company has acquired competence in drug formulation and difficult to formulate injectables. In the opinion of Dr. Reddy's, OctoPlus' expertise in injectable specialty generics like Liposomes and Microspheres is interesting and its ability to improve the formulations of both existing and new drugs is believed to be complementary to Dr. Reddy's existing capabilities.

Dr. Reddy's believes all stakeholders will benefit from the Offer as it enables Dr. Reddy's to extend its expertise in drug formulation and injectables and OctoPlus to further develop as a complex injectables research centre. In addition, it is the intention to leverage existing skills and drive value in the complex generics space besides the Fee for Service business. Both parties aim to position OctoPlus as a stand-alone centre for drug formulation and injectables within the organisation of Dr. Reddy's.

### **Recommendation and support**

OctoPlus' Executive Board and the Supervisory Board (together the "Boards") fully support and unanimously recommend the Offer to the OctoPlus shareholders. After careful consideration, the Boards believe this transaction is in the best interests of the Company and its stakeholders including its clients, shareholders, partners and employees and recommend the shareholders of OctoPlus to tender their shares under the Offer. ABN AMRO Bank N.V. has, as independent advisor, issued a fairness opinion to the Boards, stating that the Offer Price is fair to the shareholders of OctoPlus from a financial point of view.

### **Irrevocable undertakings**

Onroerend Goed Beheer- en Beleggingsmaatschappij A. Van Herk B.V., LSP III Omni Investment Coöperatief U.A., Signet Healthcare Partners, L.L.C. and SR One, Limited have signed irrevocable undertakings to support and accept the Offer, subject to customary conditions. The combined shareholding of these parties represent 49.4% of the issued and outstanding ordinary shares in OctoPlus.

The individual members of the Boards holding together 1.1% of the issued and outstanding shares in OctoPlus have also agreed to an irrevocable undertaking to tender their shares under the Offer.

Dr. Reddy's, with the help of the Company, will continue to seek additional support for the Offer from the Company's shareholders.

### **Employees**

Dr. Reddy's recognises that OctoPlus' employees will play a pivotal role in the future of the Company and they will be treated accordingly. It is anticipated that the global number of employees of the Company and its subsidiaries will not materially change as a result of the Offer.

## **Governance**

After completion of the Offer, the Supervisory Board will be reduced from five to three members, of whom one will be independent and Dr. Reddy's will nominate two. The three current members of the Executive Board (*Raad van Bestuur*) have agreed to stay on for an interim period after closing of the transaction.

## **Financing of the Offer**

The Offer values 100% of the issued and outstanding OctoPlus shares at € 27.4 million. Dr. Reddy's will finance the Offer from 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. This announcement constitutes a certain funds announcement as required by Section 7, paragraph 4 of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*).

## **Pre-offer and offer conditions**

The commencement of the Offer is subject to the satisfaction or waiver of the following pre-offer conditions customary for a transaction of this kind: (i) the Offeror having completed confirmatory due diligence into certain aspects of the Company, (ii) no material adverse effect having occurred, (iii) no material breach of the merger protocol by the Company or the Boards (iv) the AFM having approved the offer memorandum, (v) the Boards not having revoked or amended their recommendation, (vi) no Competing Offer (as defined below) having been announced, (vii) the Company not having issued, or granted rights to subscribe for, securities in the Company to other persons, (viii) the AFM not having notified that investment firms will not be allowed to cooperate with the settlement of the Offer, (ix) the Company having received resignation letters from the Company's Supervisory Board members stepping down as of settlement of the Offer, (x) the Company having received a positive, unconditional advice from its works council in respect of the Offer, (xi) trading of the shares in the Company on Euronext Amsterdam not having been suspended or ended, (xii) no offer condition having become permanently incapable of satisfaction, (xiii) no order, stay judgment or decree having been issued which prohibits, restricts or materially delays the transactions and (xiv) the parties not having terminated the merger protocol.

If and when made, the consummation of the Offer will be subject to the satisfaction or waiver of the following offer conditions: (i) a minimum acceptance of 92.5% of the OctoPlus issued and outstanding share capital, (ii) the general meeting of OctoPlus having adopted certain resolutions, (iii) no material adverse effect having occurred, (iv) no material breach of the merger protocol by either the Company or the Boards (v) the Boards not having revoked their recommendation, (vi) no Competing Offer (as defined below) having been announced, (vii) the Company not having issued, or granted rights to subscribe for, securities in the Company to other persons, (viii) the AFM not having notified that investment firms will not be allowed to cooperate with the settlement of the Offer, (ix) trading of the shares in the Company on Euronext Amsterdam not having been suspended or ended, and (x) no order, stay judgment or decree having been issued which prohibits, restricts or materially delays the transactions.

Dr. Reddy's will have the right to waive certain of the pre-offer and offer conditions, including the minimum acceptance threshold and no material adverse effect having occurred.

## **Competing offer**

Dr. Reddy's and OctoPlus may terminate the merger protocol in the event a *bona fide* third-party offeror makes an offer which, in the reasonable opinion of the Boards, is a more beneficial offer than the Offer and (i) exceeds the Offer Price by at least 10%, and (ii) is

determined by the Boards to be substantially more beneficial to the Company, specifically taking into account the identity and track record of such party, the consideration to be received by shareholders, the likelihood of completion, the other terms and conditions of the offer, and the interests of all stakeholders in the Company (a “Competing Offer”).

In the event of a Competing Offer, Dr. Reddy's will be given the opportunity to match such offer, in which case the Boards shall continue to support the Offer. OctoPlus has entered into customary undertakings not to solicit third party offers.

In the event that the merger protocol terminates because of a Competing Offer or a material breach by OctoPlus, Dr. Reddy's will be entitled to a termination fee equal to € 0.5 million.

In addition, in the event that the merger protocol terminates because of a material breach by Dr. Reddy's, OctoPlus will be entitled to a termination fee of € 0.5 million.

Indicative timetable and regulatory announcements

Dr. Reddy's and OctoPlus will use their best efforts to procure the fulfilment of the commencement and offer conditions as soon as reasonably practicable. The employee consultation procedures with OctoPlus' works council will commence immediately.

Dr. Reddy's intends to launch the Offer as soon as practically possible and in accordance with the applicable statutory timetable. It is currently expected that the offer memorandum will be submitted to the AFM for approval within five weeks from the date of this announcement and that the Offer, if made, will commence during the first half of December.

#### **Extraordinary general meetings by OctoPlus**

As a consequence of the impairment loss in 2012 in relation to Biolex' 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, it has now become clear that 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 will in due course convene an Extraordinary General Meeting to discuss any appropriate measures it has taken in this respect.

In addition and possibly in combination with above mentioned EGM, OctoPlus will convene an informative Extraordinary General Meeting at least six business days before closing of the offer acceptance period in accordance with Section 18 Paragraph 1 of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*) to discuss the Offer and decide on certain proposals regarding the governance of the Company post-completion of the Offer. Any resolutions adopted will be conditional on the completion of the Offer.

#### **Business collaboration agreement**

At the date of signing the merger protocol, OctoPlus and Dr. Reddy's agreed on the key-terms for entering into a business collaboration 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 next six months. 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. In the coming period, Dr. Reddy's and OctoPlus will work out the key-terms into a final business collaboration agreement.

## **Advisors**

Kempen & Co is acting as financial advisor and Linklaters LLP as legal advisor to Dr. Reddy's in connection with the Offer.

Loyens & Loeff N.V. is acting as legal counsel to OctoPlus and ABN AMRO Bank N.V. has provided the fairness opinion to OctoPlus.

## **Company profile Dr. Reddy's**

Dr. Reddy's Laboratories Ltd. (NYSE: RDY) is an integrated global pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Over the last fiscal year the company generated revenues of over \$ 2.0 billion. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – Dr. Reddy's offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars, differentiated formulations and NCEs. Therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and pediatrics. Major markets include India, USA, Russia and CIS, Germany, UK, Venezuela, S. Africa, Romania, and New Zealand. For more information: [www.drreddys.com](http://www.drreddys.com)

## **Company profile OctoPlus**

OctoPlus is a specialty pharmaceutical company focused on the development and manufacture of improved injectable pharmaceuticals based on proprietary drug delivery technologies that exhibit fewer side effects, improved patient convenience and a better efficacy/safety balance than existing therapies.

OctoPlus also focuses on the development of long-acting, controlled release versions of known protein therapeutics, peptides and small molecules, including specialty generics. OctoPlus is a leading European provider of advanced drug formulation and clinical scale manufacturing services to the pharmaceutical and biotechnology industries, with a focus on difficult-to formulate active pharmaceutical ingredients.

OctoPlus is listed on Euronext Amsterdam by NYSE Euronext under the symbol OCTO. More information about OctoPlus can be found on: [www.octoplus.nl](http://www.octoplus.nl)

## **Further information**

### **Dr. Reddy's**

For further information about Dr. Reddy's, please contact the Investors and Financial Analysts of Dr. Reddy's:

Kedar Upadhye: telephone number +91-40-66834297 or send an e-mail to [kedaru@drreddys.com](mailto:kedaru@drreddys.com)

Saunak Savla: telephone number +91-40-49002135 or send an e-mail to [tosaunaks@drreddys.com](mailto:tosaunaks@drreddys.com)

Milan Kalawadia (USA): telephone number +1 908-203-4931 or send an e-mail to [mkalawadia@drreddys.com](mailto:mkalawadia@drreddys.com)

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## **OctoPlus**

For further information about OctoPlus, please contact Investor Relations: telephone number +31 (71) 524 1064 or send an e-mail to Investor Relations at [IR@octoplus.nl](mailto:IR@octoplus.nl).

## **Restrictions**

This announcement is for information purposes only and does not constitute an offer or an invitation to acquire or dispose of any securities or investment advice or an inducement to enter into investment activity. This announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire the securities of Dr. Reddy's or OctoPlus in any jurisdiction. The distribution of this press release may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, Dr. Reddy's and OctoPlus disclaim any responsibility or liability for the violation of any such restrictions by any person. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction. Neither Dr. Reddy's, nor OctoPlus, nor any of their advisors assumes any responsibility for any violation by any person of any of these restrictions. Any OctoPlus shareholder who is in any doubt as to his position should consult an appropriate professional advisor without delay. This announcement is not to be published or distributed in or to Australia, Canada and Japan.

## **Notice to US holders of OctoPlus Shares**

The Offer will be made for the securities of a Dutch company and is subject to Dutch disclosure requirements, which are different from those of the United States. Some of the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer will be made in the United States pursuant to the applicable US tender offer rules and otherwise in accordance with the requirements of the Dutch Public Takeover Decree. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a US holder of OctoPlus shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of OctoPlus shares is urged to consult his independent professional advisor immediately regarding the tax consequences of acceptance of the offer.

It may be difficult for US holders of OctoPlus shares to enforce their rights and claims arising out of the US federal securities laws, since OctoPlus is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. US holders of OctoPlus shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

In accordance with normal Dutch practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Dr. Reddy's or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, OctoPlus shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains



open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the Netherlands, will be reported to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and disclosed in the offer memorandum or by press release.

### **Forward Looking Statements**

This press release may include “forward-looking statements” and language indicating trends, such as “anticipated” and “expected.” Although Dr. Reddy’s and OctoPlus believe that the assumptions upon which the irrelative financial information and their respective forward-looking statements are based are reasonable, they can give no assurance that these assumptions will prove to be correct. Neither Dr. Reddy’s nor OctoPlus, nor any of their advisors accepts any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of the other or their respective groups.

#### **11.2 4 weeks press release dated 16 November 2012**

This is a joint press release by Dr. Reddy’s Laboratories Ltd. (“Dr. Reddy’s”) and OctoPlus N.V. (“OctoPlus” or the “Company”) pursuant to Section 7, paragraph 1 sub a of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*) in connection with the intended public offer by Dr. Reddy’s, or a wholly owned subsidiary of Dr. Reddy’s, for all the issued and outstanding ordinary shares in the capital of OctoPlus. This press release relates to the conditional agreement between OctoPlus and Dr. Reddy’s in connection with a potential public offer and does not constitute, or form part of, an offer or any solicitation of an offer, to acquire or subscribe or sell any securities in OctoPlus. Any offer will be made by means of the publication of an offer memorandum only. This announcement is not for release, publication, dissemination, or distribution, in whole or in part, in or into Canada and Japan.

### **Dr. Reddy’s Laboratories to request AFM approval for Offer Memorandum in connection with its Offer for OctoPlus N.V.**

**Hyderabad/Leiden, 16 November 2012 – On 22 October 2012, Dr. Reddy’s (NYSE: RDY) and OctoPlus (Euronext Amsterdam: OCTO) jointly announced that they have reached conditional agreement in connection with an intended public offer by Dr. Reddy’s, or a wholly owned subsidiary of Dr. Reddy’s, for all issued and outstanding ordinary shares in the capital of OctoPlus at an offer price of € 0.52 (cum dividend) in cash (the “Offer Price”) for each OctoPlus share (the “Offer”).**

**Dr. Reddy’s and OctoPlus hereby announce that preparations for the Offer, including preparations in respect of the offer memorandum for the Offer (the “Offer Memorandum”) and obtaining approval from the Netherlands Authority for the Financial Markets (the “AFM”) for the Offer Memorandum, are proceeding as planned.**

#### **Update indicative timetable**

Dr. Reddy’s intends to submit a draft of the Offer Memorandum for approval to the AFM as soon as reasonably practicable following this press release in the coming days. Once the Offer Memorandum is approved by the AFM, the Offer will be made by making the Offer Memorandum publicly available. It is currently expected that the Offer will be launched mid December 2012. If launched, the Offer period will run for at least eight weeks and no more than ten weeks, after which the Offer may, if the Offer conditions are fulfilled or waived, be declared unconditional or the Offer may be extended. Subject to the Offer conditions, if and

when the Offer is declared unconditional, there may be a post-closing acceptance period of two weeks. Closing of the transaction is expected to occur in Q1 2013.

The extraordinary meeting of shareholders of OctoPlus pursuant to Section 18 Paragraph 1 of the Dutch Public Takeover Decree (*Besluit openbare biedingen Wft*) in which the Offer will be discussed and certain governance related resolutions will be proposed to be adopted will, depending on the exact date of launch of the Offer, take place around the end of January 2013. OctoPlus intends to combine the extraordinary general meeting of shareholders of OctoPlus pursuant to Section 2:108a of the Dutch Civil Code (*Burgerlijk Wetboek*) referred to in the joint press release of Dr. Reddy's and OctoPlus of 22 October 2012 with the aforementioned extraordinary general meeting of shareholders.

#### **Further irrevocable undertakings**

In addition to the irrevocable undertakings announced in the joint press release of Dr. Reddy's and OctoPlus of 22 October 2012, Mr. J.J.M. Holthuis (the founder of OctoPlus) and his holding company Sodoro B.V. and N.V. Fagus have signed irrevocable undertakings to support and accept the Offer, subject to customary conditions. The combined shareholding of these parties represents 8.1% of the issued and outstanding ordinary shares in OctoPlus.

The combined shareholding of all shareholders who have signed irrevocable undertakings with Dr. Reddy's (the "Committed Shareholders") represents 57.5% of the issued and outstanding shares in OctoPlus. The Committed Shareholders shall tender their Shares against the Offer Price and against the terms and conditions of the Offer as set out in the Offer Memorandum. The Committed Shareholders have not received any information in connection with the Offer that will not be included in the Offer Memorandum.

In addition, as announced in the joint press release of Dr. Reddy's and OctoPlus of 22 October 2012, the individual members of the Executive Board and Supervisory Board of OctoPlus holding together 1.1% of the issued and outstanding shares in OctoPlus have also agreed to an irrevocable undertaking to tender their shares under the Offer.

#### **Company profile Dr. Reddy's**

Dr. Reddy's Laboratories Ltd. (NYSE: RDY) is an integrated global pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Over the last fiscal year the company generated revenues of over \$2.0 billion. Through its three businesses – Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – Dr. Reddy's offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars, differentiated formulations and NCEs. Therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and pediatrics. Major markets include India, USA, Russia and CIS, Germany, UK, Venezuela, S. Africa, Romania, and New Zealand. For more information: [www.drreddys.com](http://www.drreddys.com)

#### **Company profile OctoPlus**

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manufacturing services to the pharmaceutical and biotechnology industries, with a focus on difficult-to formulate active pharmaceutical ingredients.

OctoPlus is listed on Euronext Amsterdam by NYSE Euronext under the symbol OCTO. More information about OctoPlus can be found on: [www.octoplus.nl](http://www.octoplus.nl)

### **Further information**

#### **Dr. Reddy's**

For further information about Dr. Reddy's, please contact:

For Investors and Financial Analysts:

Kedar Upadhye: telephone number +91-40-66834297 or send an e-mail to [kedaru@drreddys.com](mailto:kedaru@drreddys.com)

Saunak Savla: telephone number +91-40-49002135 or send an e-mail to [saunaks@drreddys.com](mailto:saunaks@drreddys.com)

Milan Kalawadia (USA): telephone number +1 908-203-4931 or send an e-mail to [mkalawadia@drreddys.com](mailto:mkalawadia@drreddys.com)

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#### **OctoPlus**

For further information about OctoPlus, please contact Investor Relations: telephone number +31 (71) 524 1061 or send an e-mail to Investor Relations at [IR@octoplus.nl](mailto:IR@octoplus.nl).

#### **Restrictions**

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accordance with the requirements of the Dutch Public Takeover Decree. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a US holder of OctoPlus shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of OctoPlus shares is urged to consult his independent professional advisor immediately regarding the tax consequences of acceptance of the offer.

It may be difficult for US holders of OctoPlus shares to enforce their rights and claims arising out of the US federal securities laws, since OctoPlus is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. US holders of OctoPlus shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

In accordance with normal Dutch practice and pursuant to Rule 14e-5(b) of the Securities Exchange Act of 1934, Dr. Reddy's or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, OctoPlus shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the Netherlands, will be reported to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and disclosed in the offer memorandum or by press release.

#### **Forward Looking Statements**

This press release may include "forward-looking statements" and language indicating trends, such as "anticipated" and "expected." Although Dr. Reddy's and OctoPlus believe that the assumptions upon which the irrelative financial information and their respective forward-looking statements are based are reasonable, they can give no assurance that these assumptions will prove to be correct. Neither Dr. Reddy's nor OctoPlus, nor any of their advisors accepts any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of the other or their respective groups.

## 12 Nederlandse samenvatting

Dit Hoofdstuk 12 is de Nederlandse samenvatting van het Biedingsbericht dat is uitgegeven ter zake van het Bod dat door de Bieder is uitgebracht op alle Aandelen in het geplaatste kapitaal van OctoPlus met inachtneming van de voorwaarden zoals beschreven in dit Biedingsbericht.

De gedefinieerde termen in dit Hoofdstuk 12 (*Nederlandse samenvatting*) van dit Biedingsbericht hebben de betekenis die daaraan in Hoofdstuk 12.2 (*Nederlandse definities*) is gegeven. Deze Nederlandse samenvatting maakt deel uit van dit Biedingsbericht, maar vervangt dit niet. Deze Nederlandse samenvatting is niet volledig en bevat niet alle informatie die voor de Aandeelhouders van belang is om zich een afgewogen oordeel te kunnen vormen omtrent het Bod.

Het lezen van deze Nederlandse samenvatting mag derhalve niet worden beschouwd als een alternatief voor het bestuderen van dit volledige Biedingsbericht. Aandeelhouders wordt geadviseerd dit volledige Biedingsbericht zorgvuldig te lezen en zo nodig onafhankelijk advies in te winnen teneinde een afgewogen oordeel te kunnen vormen omtrent het Bod. Daarnaast zullen Aandeelhouders mogelijk hun belastingadviseur willen raadplegen met betrekking tot de fiscale gevolgen van het aanmelden van Aandelen onder het Bod.

Waar deze Nederlandse samenvatting afwijkt van de Engelse tekst van dit Biedingsbericht prevaleert de Engelse tekst.

### 12.1 Belangrijke informatie

Het uitbrengen van het Bod, de verkrijgbaarstelling van dit Biedingsbericht, inclusief deze Nederlandse samenvatting, en/of de verspreiding van enige andere informatie met betrekking tot het Bod, kunnen in bepaalde jurisdicties aan restricties onderhevig zijn. Voor de restricties van het Bod wordt tevens verwezen naar Hoofdstuk 2 (*Restrictions*) van dit Biedingsbericht. Voor verdere belangrijke informatie ten aanzien van het Bod wordt verwezen naar Hoofdstuk 3 (*Important information*) van dit Biedingsbericht. Het Bod wordt direct noch indirect gedaan in, en mag niet worden aanvaard door of namens Aandeelhouders vanuit een jurisdictie waarin het uitbrengen van het Bod of het aanvaarden daarvan niet in overeenstemming is met de in die jurisdictie geldende wet- en regelgeving. Het niet in acht nemen van deze restricties kan een overtreding van de effectenwet- en regelgeving van de desbetreffende jurisdictie opleveren. De Bieder, OctoPlus en hun respectievelijke adviseurs aanvaarden geen enkele aansprakelijkheid ter zake van overtredingen van voornoemde restricties. Aandeelhouders dienen zo nodig onafhankelijk advies in te winnen omtrent hun positie dienaangaande.

De Bieder behoudt zich het recht voor om in het kader van het Bod de aanmelding van Aandelen te accepteren, zelfs indien dit niet gebeurt in overeenstemming met de bepalingen zoals uiteengezet in dit Biedingsbericht.

De informatie opgenomen in de Hoofdstukken 2 (*Restrictions*) tot en met 6 (*Explanation and background of the Offer*) (met uitzondering van de informatie opgenomen in de Hoofdstukken 6.6 (*Decision-making and recommendation by the Boards*), 6.7.1 (*Offer Conditions*), 6.9 (*Respective cross-shareholdings Offeror – OctoPlus*), 6.10.2 (*Committed members of the Boards*), 6.14 (*Governance*), 6.15 (*Severance packages of the Boards*), 6.17 (*Certain arrangements between the Offeror and OctoPlus*)), 8 (*Information on the Offeror*), 10 (*Tax aspects of the Offer*), 11 (*Press releases*) en 12 (*Nederlandse samenvatting*) van dit Biedingsbericht is uitsluitend door de Bieder verstrekt.

De informatie opgenomen in de Hoofdstukken 6.6 (*Decision-making and recommendation by the Boards*), 6.15 (*Severance packages of the Boards*), 7 (*Information regarding OctoPlus*) en 13 (*Selected Financial Information of OctoPlus*) (met uitzondering van de informatie opgenomen in de Hoofdstukken 13.3 (*Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009*), 13.5 (*Independent auditor's report relating to the Financial statements for the Financial Year 2011*), 13.7 (*Review report in respect of the Interim financial report June 30, 2012*)) van dit Biedingsbericht is uitsluitend door OctoPlus verstrekt.

De informatie op het voorblad, bladzijden 1 tot en met 5 en de informatie opgenomen in de Hoofdstukken 1 (*Introduction*), 6.7.1 (*Offer Conditions*), 6.9 (*Respective cross-shareholdings Offeror – OctoPlus*), 6.10.2 (*Committed members of the Boards*), 6.14 (*Governance*), 6.17 (*Certain arrangements between the Offeror and OctoPlus*) en 9 (*Further declarations pursuant to the Decree*) van dit Biedingsbericht is door de Bieder en OctoPlus gezamenlijk verstrekt.

Uitsluitend de Bieder en OctoPlus zijn verantwoordelijk voor de juistheid en volledigheid van de informatie die in dit Biedingsbericht is verstrekt, ieder afzonderlijk voor de informatie die door henzelf is verstrekt, en gezamenlijk voor de informatie die door hen gezamenlijk is verstrekt.

De Bieder en OctoPlus verklaren ieder afzonderlijk ten aanzien van de informatie die door henzelf in het Biedingsbericht is verstrekt en gezamenlijk ten aanzien van de informatie die door hen gezamenlijk is verstrekt, dat de informatie in dit Biedingsbericht voor zover hen redelijkerwijs bekend kan zijn, in overeenstemming is met de werkelijkheid en dat geen gegevens zijn weggelaten waarvan de vermelding de strekking van dit Biedingsbericht zou wijzigen.

De informatie opgenomen in de Hoofdstukken 13.3 (*Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009*), 13.5 (*Independent auditor's report relating to the Financial statements for the Financial Year 2011*) en 13.7 (*Review report in respect of the Interim financial report June 30, 2012*) is verkregen door OctoPlus van Deloitte Accountants B.V. ("**Deloitte**"), de onafhankelijke accountant van OctoPlus. OctoPlus bevestigt dat deze informatie correct is weergegeven en dat voor zover OctoPlus weet en heeft kunnen opmaken uit de door Deloitte gepubliceerde informatie er geen feiten zijn weggelaten waardoor de weergegeven informatie onjuist of misleidend zou worden.

De informatie uiteengezet in dit Biedingsbericht geeft de situatie weer ten tijde van de datum van dit Biedingsbericht, tenzij anders vermeld. De uitgave en verspreiding van dit Biedingsbericht impliceert geenszins dat de hierin opgenomen informatie juist en volledig zal blijven na de datum van uitgave van dit Biedingsbericht of dat er geen wijziging heeft plaatsgevonden met betrekking tot de informatie weergegeven in dit Biedingsbericht of in de toestand van de Bieder, Dr. Reddy's, OctoPlus en/of met hen gelieerden sinds de datum van uitgifte van dit Biedingsbericht. Het voorgaande is niet van invloed op de verplichtingen van de Bieder en OctoPlus om een openbare mededeling te doen uit hoofde van artikel 5:25i Wft of artikel 4 lid 1 en lid 3 Bob, indien vereist.

Geen andere persoon dan de Bieder, Dr. Reddy's en OctoPlus, zonder enige afbreuk te doen aan de accountantsverklaringen afgegeven door Deloitte als opgenomen in dit Biedingsbericht en de Fairness Opinie afgegeven door ABN AMRO aan de Boards, heeft toestemming om

enige informatie te verstrekken of enige mededeling te doen namens de Bieder of OctoPlus in verband met het Bod of de informatie opgenomen in dit Biedingsbericht. Indien dergelijke informatie is verstrekt of mededeling is gedaan door andere partijen dan de Bieder of OctoPlus, dient niet te worden afgegaan op zulke informatie of mededelingen als ware die zouden zijn afgegeven door of namens de Bieder of OctoPlus. Op informatie of mededelingen die niet zijn opgenomen in dit Biedingsbericht dient niet te worden afgegaan en dergelijke informatie of mededelingen dienen niet te worden begrepen als informatie of mededelingen die door of namens de Bieder, Dr. Reddy's of OctoPlus zouden zijn afgegeven of gedaan.

Getallen in dit Biedingsbericht kunnen naar boven of beneden zijn afgerond en dienen derhalve niet als exact te worden beschouwd.

Dit biedingsbericht bevat informatie inzake het Bod zoals vereist uit hoofde van artikel 5:76 Wft en artikel 8 Bob en is goedgekeurd door de AFM uit hoofde van artikel 5:76 Wft.

De Standpuntbepaling van de Raad van Bestuur en de Raad van Commissarissen ingevolge artikel 18 Bob vormt geen onderdeel van dit Biedingsbericht, zoals omschreven in het Bob, en is niet onderworpen aan voorafgaande beoordeling en goedkeuring van de AFM. De Standpuntbepaling is wel onderworpen aan beoordeling van de AFM na publicatie daarvan.

## 12.2 Nederlandse definities

“**Aanbeveling**” betekent de unanieme aanbeveling van de Boards aan de Aandeelhouders om het Bod te accepteren en om vóór alle besluiten betreffende het Bod te stemmen die tijdens de BAVA aan de orde komen;

“**Aandeelhouders**” betekent de houders van één of meer Aandelen;

“**Aandelen**” betekent gewone aandelen in OctoPlus met een nominale waarde van EUR 0,12 per stuk;

“**Aangemelde Aandelen**” betekent elk Aandeel dat voorafgaand aan of op de Uiterste Dag van Aanmelding op juiste wijze is aangemeld (of op onjuiste wijze, indien de Bieder de aanmelding desalniettemin heeft aanvaard) en geleverd onder het Bod;

“**Aangesloten Instelling**” betekent aan Euroclear Nederland aangesloten instellingen, zoals bedoeld in artikel 1 van de Wet giraal effectenverkeer;

“**Aanmeldingstermijn**” betekent de periode gedurende welke de Aandeelhouders hun Aandelen kunnen aanmelden aan de Bieder, beginnend op 14 december 2012 om 09:00 uur CET en eindigend op de Uiterste Dag van Aanmelding om 18:00 uur CET;

“**ABN AMRO**” betekent ABN AMRO Bank N.V.;

“**AFM**” betekent de Stichting Autoriteit Financiële Markten;

“**BAVA**” betekent de buitengewone vergadering van aandeelhouders van OctoPlus, die wordt gehouden op 15 januari 2013 om 14:00 uur CET, aan Zernikedreef 12, Leiden, Nederland, welke overeenkomstig het bepaalde in de artikel 2:108a Burgerlijk Wetboek en artikel 18, lid 1 Bob wordt gehouden, waarin, onder meer, de Waardevermindering en de te nemen maatregelen, het Bod en bepaalde voorstellen met betrekking tot de organisatie van OctoPlus na afronding van het Bod, zullen worden besproken;

“**Bieder**” betekent Reddy Netherlands B.V., een besloten vennootschap met beperkte aansprakelijkheid, met statutaire zetel te Amsterdam, Nederland en kantoorhoudende te Prins Bernhardplein 200, 1097 JB Amsterdam, Nederland, ingeschreven in het handelsregister van de Kamer van Koophandel onder nummer 33289445;

“**Biedingsbericht**” betekent dit Biedingsbericht met betrekking tot de verklaringen, Voorwaarden en beperkingen van het Bod;

“**Biedprijs**” betekent een bedrag in contanten van EUR 0,52 (*tweeënvijftig euro cent*) per Aangemeld Aandeel cum dividend;

“**Biolex**” betekent Biolex Therapeutics Inc., in liquidatie;

“**Boards**” betekent de Raad van Bestuur en de Raad van Commissarissen gezamenlijk;

“**Bob**” betekent het Besluit openbare biedingen Wft;

“**Bod**” betekent het bod zoals uiteen is gezet in dit Biedingsbericht;

“**Burgerlijk Wetboek**” betekent het Nederlands Burgerlijk Wetboek (BW);

“**CET**” betekent Central European Time;

“**Concurrerend Bod**” betekent een Potentieel Concurrerend Bod dat:

- (i) is uitgebracht, of bindend is voor de biedende partij in de zin dat deze biedende partij (a) zich voorwaardelijk heeft verbonden om een Concurrerend Bod uit te brengen binnen het tijdsbestek zoals uiteengezet in het Bob en de Wft, indien van toepassing en (b) de intentie tot het uitbrengen van een Concurrerend Bod openbaar heeft gemaakt inclusief de voorgenomen prijs per Aandeel en de relevante opschortende voorwaarden in verband met het bod en het uitbrengen daarvan;
- (ii) de biedprijs per Aandeel de Biedprijs onder het Bod overstijgt met ten minste 10%. Voor zover dat het Potentieel Concurrerend Bod een bod betreft op de alle of nagenoeg alle activa van de OctoPlus Group zal de het bod worden gewaardeerd op basis van de netto opbrengst uit te keren aan de Aandeelhouders als gevolg van een dergelijke transactie (gewaardeerd per de datum van de eerste handelsdag op Euronext Amsterdam na ondertekenen van de Fusieovereenkomst) berekend per Aandeel; en
- (iii) naar het oordeel van de Boards, na overleg met financiële en juridische adviseurs en de Bieder en te goeder trouw handelend met inachtneming van de geldende verplichtingen onder Nederlands recht, substantieel gunstiger is voor OctoPlus en haar belanghebbenden dan het Bod waarbij met name in acht zullen worden genomen identiteit en reputatie van een biedende partij, de door de Aandeelhouders te ontvangen vergoeding, de mate van zekerheid van gestanddoening van het bod, de overige voorwaarden van de Potentieel Concurrerend Bod en de belangen van alle andere belanghebbenden van OctoPlus;

“**Dag van Gestanddoening**” betekent de datum waarop de Bieder publiekelijk aankondigt dat het Bod gestand wordt gedaan, niet later dan drie Werkdagen na de Uiterste Dag van Aanmelding;

“**Dag van Overdracht**” betekent de datum waarop, overeenkomstig de Voorwaarden, de Bieder de Biedprijs zal betalen aan de Aandeelhouders voor elk Aangemeld Aandeel, niet later dan vijf Werkdagen na de Dag van Gestanddoening;

“**Deloitte**” betekent Deloitte Accountants B.V.;

“**Dr. Reddy’s**” betekent Dr. Reddy’s Laboratories Ltd., een vennootschap met beperkte aansprakelijkheid opgericht naar het recht van India;



“**Euronext Amsterdam**” betekent de beurs van Euronext Amsterdam door NYSE Euronext, de gereguleerde markt van Euronext N.V.;

“**Fairness Opinie**” betekent de verklaring afgegeven op 21 oktober 2012 door ABN AMRO Bank;

“**Fusie**” betekent het Bod en alle transacties die daaruit volgen;

“**Fusieovereenkomst**” betekent de fusieovereenkomst tussen Dr. Reddy’s en OctoPlus zoals overeengekomen en ondertekend op 21 oktober 2012;

“**Gebonden Aandeelhouder**” betekent de aandeelhouder van wie een Onherroepelijke Toezegging is verkregen;

“**Gezamenlijke Verklaring**” betekent de gezamenlijke verklaring van Dr. Reddy’s en OctoPlus op 22 oktober 2012, waarin Dr. Reddy’s en OctoPlus hebben aangekondigd dat ze voorwaardelijke overeenstemming hebben bereikt ten aanzien van de belangrijkste voorwaarden van het Bod;

“**Governance Besluiten**” betekent de volgende voorgestelde besluiten welke de Aandeelhouders tijdens de BAVA zullen worden verzocht te nemen (onder voorbehoud van gestanddoening van het Bod en effectief per de Dag van Overdracht):

- (i) de benoeming van Dhr. Prasad en Dhr. Ananthanarayanan als leden van de Raad van Commissarissen;
- (ii) de acceptatie van aftreding van Mw. Moukheibir, Dhr. Kuijten, Dhr. Gale en Dhr. Chahal als leden van de Raad van Commissarissen; en
- (iii) het verlenen van volledige en finale decharge aan de aftredende leden van de Raad van Commissarissen en decharge van aansprakelijkheid voor hun functioneren als leden van de Raad van Commissarissen op basis van de informatie verstrekt aan de algemene vergadering van Aandeelhouders van OctoPlus, inclusief dit Biedingsbericht, de Standpuntbepaling, de toelichting betreffende de Standpuntbepaling en de persberichten met betrekking tot het Bod;

“**Groepsmaatschappijen**” betekent met betrekking tot Dr. Reddy’s of OctoPlus, iedere (directe of indirecte) dochtermaatschappij van respectievelijk Dr. Reddy’s of OctoPlus en met betrekking tot de Bieder, iedere (directe of indirecte) moedermaatschappijen van de Bieder en hun (directe en indirecte) dochtermaatschappijen, zoals deze van tijd tot tijd wijzigen;

“**Intellectuele Eigendomsrechten**” betekent merkenrechten, dienstenmerken, handelsnamen, logos, octrooien en octrooiaanvragen, gebruiksrechten, tekeningen- en modelrechten, naburige rechten, kwekersrechten, auteursrechten, persoonlijkheidsrechten, rechten op topografieën en halfgeleiderproducten, databankrechten, rechten op domeinnamen en URLs, aanspraken met betrekking tot ongeoorloofde mededinging en alle andere gelijksoortige rechten waar ook ter wereld (inclusief Know-how) en inclusief, ingeval dergelijke rechten zijn verkregen of beschermd door registratie, elke registratie van een dergelijk recht en toepassingen en rechten om te verzoeken om een registratie;

“**Hoofdstuk**” betekent een hoofdstuk van dit Biedingsbericht, tenzij anders aangegeven;

“**Kempen & Co**” betekent Kempen & Co Corporate Finance B.V.;

“**Know-how**” betekent industriële en commerciële informatie en technieken in welke vorm dan ook in het publieke domein, inclusief tekeningen, formules, test resultaten, rapporten, project

rapportage en test procedures, instructie en training handleidingen, tabellen met operationele voorwaarden, markt prognoses, overzichten met en gegevens van klanten en leveranciers;

**“Materieel Nadelig Effect”** betekent elke verandering, gebeurtenis, aangelegenheid of omstandigheid (elk een **“Effect”**) die individueel of in samenhang met andere Effecten, een blijvend materieel nadelig effect heeft of redelijkerwijs kan hebben op het bedrijf, de activa, klinische of pre-klinische programma’s (indien aanwezig), R&D capaciteiten en potentieel, Intellectuele Eigendomsrechten, vooruitzichten, kapitalisatie of financiële positie of kasstromen van de OctoPlus Groep, van zodanige aard dat van Dr. Reddy’s redelijkerwijs niet kan worden verwacht dat zij het Bod gestand zal doen, met dien verstande dat geen van het volgende (zonder limitering), alleen of gezamenlijk, geacht zal worden een Materieel Nadelig Effect te vormen, noch in aanmerking zal worden genomen voor de vaststelling of sprake is of zal zijn van een Materieel Nadelig Effect:

- (i) enig effect dat het gevolg is van naleving van de Voorwaarden van de Fusieovereenkomst;
- (ii) natuurrampen, pandemieën, daden van terrorisme, sabotage, gewapende vijandelijkheden of oorlog (al dan niet officieel verklaard) of enige escalatie daarvan;
- (iii) enige wijziging in de omstandigheden in de algemene economie, politiek of financiële markten in welke markt dan ook of wijzigingen in wisselkoersen of rentepercentages tenzij het bedrijf, vooruitzichten, kapitalisatie, financiële positie of kasstromen van de OctoPlus Groep zullen of redelijkerwijs verwacht worden te verslechteren als gevolg daarvan; of
- (iv) enig handelen waarmee de Bieder schriftelijk akkoord is gegaan;

**“Na-aanmeldingstermijn”** betekent een periode van niet meer dan twee weken na afloop van de Aanmeldingstermijn gedurende welke Aandeelhouders die hun Aandelen nog niet hebben aangemeld onder het Bod de kans wordt gegeven dit alsnog te doen, op dezelfde wijze en onder dezelfde Voorwaarden als opgenomen in dit Biedingsbericht;

**“Nederlands recht”** betekent het recht geldend in het Europese deel van Nederland;

**“OctoPlus”** betekent OctoPlus N.V., een naamloze vennootschap, met statutaire zetel te Leiden, Nederland en kantoorhoudende aan Zernikedreef 12, 2333 CL Leiden, Nederland, ingeschreven in het handelsregister van de Kamer van Koophandel onder nummer 28075073;

**“OctoPlus Groep”** betekent OctoPlus en de met haar verbonden Groepsmaatschappijen;

**“Omwissel- en Betaalkantoor”** betekent Kempen & Co N.V.;

**“Onherroepelijke Toezegging”** betekent de onherroepelijke toezegging van elke Gebonden Aandeelhouder om de Aandelen in zijn of haar bezit aan te bieden ingevolge het Bod zoals verder beschreven in Hoofdstuk 6.10.1 (*Committed Shareholders*);

**“Overheidsbevel”** betekent een bevel, uitspraak, vonnis of besluit gewezen door een rechtbank, arbitrage instituut, overheid, overheidsinstantie of een ander toezichthoudend of bestuursrechtelijk orgaan dat geldig en van kracht blijft;

**“Peildatum”** betekent 19 oktober 2012, de laatste handelsdag voor de dag van de Gezamenlijke Verklaring;

**“Potentieel Concurrerend Bod”** betekent een schriftelijk voorstel inhoudende een (openbaar) bod op alle Aandelen of alle of nagenoeg alle activa van de OctoPlus Group of een fusie met OctoPlus, door een partij die, naar de redelijke mening van OctoPlus (inclusief de Raad van

Commissarissen), een derde partij te goeder trouw is en waarvan naar de redelijke mening van OctoPlus (inclusief de Raad van Commissarissen), na overleg met financiële en juridische adviseurs en de Bieder en, onder andere, in acht nemend de hoogte en aard van de vergoeding, zekerheid van financiering, voorwaardelijkheid, integriteit van de onderneming en de positie van de werknemers, in redelijkheid verwacht kan worden verwacht dat het een Concurrerend Bod zou kunnen worden;

“**Raad van Bestuur**” betekent de raad van bestuur van OctoPlus;

“**Raad van Commissarissen**” betekent de raad van commissarissen van OctoPlus;

“**Standpuntbepaling**” betekent de standpuntbepaling van de Boards met betrekking tot het Bod, die geen onderdeel uitmaakt van dit Biedingsbericht;

“**Startdatum**” betekent de datum waarop het Bod is uitgebracht;

“**Toepasselijke Regelgeving**” betekent alle toepasselijke wet- en regelgeving, inclusief maar niet beperkt tot de toepasselijke bepalingen van en alle nadere regelgeving en beleidsregels die zijn vastgesteld of anderszins gelding hebben onder de Wft, het Bob, de beleidsregels en instructies van de AFM, de Wet op de ondernemingsraden, het SER-Besluit Fusiegedragsregels 2000, de regelgeving en beleidsregels van Euronext Amsterdam, voor zover toepasselijk, het Burgerlijk Wetboek, en de relevante regelgeving in andere relevante jurisdicties, waaronder alle relevante effecten- en medezeggenschapswetgeving;

“**Uiterste Dag van Aanmelding**” betekent de tijd en datum waarop het Bod afloopt, zijnde 18:00 uur CET op 8 februari 2013, tenzij de Aanmeldingstermijn is verlengd in overeenstemming met het bepaalde in dit Biedingsbericht, in welk geval de Uiterste Dag van Aanmelding zal zijn de dag waarop de verlengde Aanmeldingstermijn afloopt;

“**Uitkering**” betekent elk dividend of andere uitkering per Aandeel;

“**Voorwaarden**” betekent de voorwaarden met betrekking tot het Bod zoals uiteengezet in Hoofdstuk 12.7.1 (*Voorwaarden*);

“**Waardevermindering**” betekent de vermindering van het eigen vermogen van OctoPlus als gevolg van de afschrijving in 2012 in verband met het vrijwillig aanvragen van het faillissement van Biolex;

“**Werkdag(en)**” betekent een dag anders dan een zaterdag of zondag waarop banken in Nederland, ingevolge de Algemene Bank-CAO, en Euronext Amsterdam open zijn; en

“**Wft**” betekent de Wet op het financieel toezicht.

### **12.3 Uitnodiging aan de Aandeelhouders**

De Bieder brengt hierbij een openbaar bod in contanten uit om alle geplaatste en uitstaande Aandelen te verwerven onder de Voorwaarden en conform de restricties zoals beschreven in dit Biedingsbericht. De Aandeelhouders wordt geadviseerd om dit Biedingsbericht, en meer in het bijzonder de restricties opgenomen in Hoofdstuk 2 (*Restrictions*) en de informatie opgenomen in Hoofdstuk 3 (*Important information*), grondig en volledig door te lezen en indien toepasselijk onafhankelijk advies in te winnen om zo tot een evenwichtig oordeel te komen ten aanzien van het Bod en de inhoud van dit Biedingsbericht.

De Aandeelhouders worden hierbij uitgenodigd om hun Aandelen onder het Bod aan te melden op de wijze en onder de Voorwaarden zoals in dit Biedingsbericht beschreven.

## 12.4 Biedprijs

Onder de voorwaarde dat het Bod gestand zal worden gedaan, zullen Aandeelhouders die hun Aandelen aanmelden onder het Bod een bedrag in contanten van EUR 0,52 per Aandeel ontvangen.

De Biedprijs is cum dividend. Indien enige Uitkering op de Aandelen wordt vastgesteld door OctoPlus (waarbij de record date die bepalend is voor gerechtigheid tot een dergelijke Uitkering gelegen is vóór of op de Dag van Overdracht), zal de Biedprijs worden verminderd met het volledige bedrag van een dergelijke Uitkering per Aandeel (vóór enige toepasselijke belastinginhouding).

De Biedprijs vertegenwoordigt:

- een premie van 30% ten opzichte van de slotkoers van de Aandelen op de Peildatum;
- een premie van 36% ten opzichte van de gemiddelde slotkoers van de Aandelen gedurende een periode van drie maanden eindigend op de Peildatum;
- een premie van 28% ten opzichte van de gemiddelde slotkoers van de Aandelen gedurende een periode van zes maanden eindigend op de Peildatum; en
- een premie van 14% ten opzichte van de gemiddelde slotkoers van de Aandelen gedurende een periode van twaalf maanden eindigend op de Peildatum.

## 12.5 Financiering van het Bod

Onder verwijzing naar artikel 7 lid 4 Bob heeft Dr. Reddy's in de Gezamenlijke Verklaring aangekondigd over voldoende middelen te beschikken om het Bod te financieren en dat de financiering van het Bod niet afhankelijk zal zijn van de instemming van enige derde partij en dat er geen financiële voorwaarde van toepassing zal zijn. De Bieder zal het maximale bedrag van ongeveer EUR 27.4 miljoen dat voor het Bod benodigd is financieren door middel van cash op zijn balans.

Verwezen wordt naar Hoofdstuk 11 (*Press releases*).

## 12.6 Rationale voor het Bod

Dr. Reddy's is actief betrokken bij het ontwikkelen en produceren van generieke medicijnen en Active Pharmaceutical Ingredients (API). Dr. Reddy's richt zich op oral-solids en gelooft in waardevermeerdering voor haar stakeholders door middel van complexe generieke producten met beperkte concurrentie. In de markt voor complexe generieke producten wordt verwacht dat injecteerbare medicijnen met complexe samenstelling een steeds belangrijkere rol zullen gaan spelen. Om aan deze vraag te voldoen, streeft Dr. Reddy's na haar capaciteit te vergroten door middel van overnames.

Dr. Reddy's heeft grondig onderzoek gedaan naar de capaciteiten van OctoPlus in de samenstelling van medicijnen, alsmede naar de *fee-for-service* contracten met betrekking tot de productie activiteiten. Dr. Reddy's gelooft dat de aanwezige kennis van OctoPlus op het gebied van Microspheres en Liposomes kan bijdragen aan de kwalificaties die nodig zijn om te voorzien in de vraag naar ontwikkeling van complexe injecteerbare medicijnen. Daarbij is de vaardigheid van OctoPlus om samenstellingen van zowel bestaande als nieuwe medicijnen van aanvullende waarde op de kwalificaties van Dr. Reddy's.

Naast de versterking met de kennis van OctoPlus op het gebied van productie van medicijnen wenst Dr. Reddy's ook te groeien op het gebied van *fee-for-service* activiteiten en de

operationele synergiën aan te wenden die voortvloeien uit de samenwerking tussen twee organisaties. Dr. Reddy's meent dat bij OctoPlus een grote hoeveelheid belangrijke kennis en getraind personeel aanwezig is die de Custom Pharmaceutical Services (CPS) divisie van Dr. Reddy's kan aanvullen.

Dr. Reddy's voorziet de volgende synergie-effecten als gevolg van het Bod:

- (i) uitbreiding van de deskundigheid en wetenschappelijke kundigheid van Dr. Reddy's in de samenstelling van medicijnen en complexe generieke producten;
- (ii) verdere ontwikkeling van OctoPlus *fee-for-service* activiteiten door middel van de wereldwijde aanwezigheid van Dr. Reddy's;
- (iii) delen en vergroten van wetenschappelijke kundigheid en kennis op het gebied van complexe generieke producten.

## **12.7 Voorwaarden, afstand en vervulling**

### **12.7.1 Voorwaarden**

De Bieder is verplicht het Bod gestand te doen indien aan de volgende Voorwaarden is voldaan of, voor zover mogelijk, hiervan afstand is gedaan, in overeenstemming met de Fusieovereenkomst:

- (i) dat op de Uiterste Dag van Aanmelding een zodanig aantal Aandelen ter aanvaarding wordt aangemeld dat dit, tezamen met:
  - (a) de Aandelen die direct of indirect door de Bieder en zijn Groepsmaatschappijen op de Uiterste Dag van Aanmelding worden gehouden;
  - (b) de Aandelen die schriftelijk zijn toegezegd aan de Bieder of een van zijn Groepsmaatschappijen; en
  - (c) de Aandelen waartoe de Bieder gerechtigd is (aandelen gekocht maar nog niet geleverd);ten minste 92,5% vertegenwoordigt van het geplaatste en uitstaande kapitaal van OctoPlus op basis van volledige kapitaalsverwatering;
- (ii) dat op of voor de Uiterste Dag van Aanmelding de Governance Besluiten zijn aangenomen tijdens de BAVA;
- (iii) dat zich geen Materieel Nadelig Effect heeft voorgedaan in de periode beginnend op de Startdatum en eindigend op de Dag van Gestanddoening;
- (iv) dat op of voor de Dag van Gestanddoening OctoPlus, de Boards of de leden van de Boards geen inbreuk hebben gemaakt op enige bepaling uit de Fusieovereenkomst, voor zover deze inbreuk (a) materieel nadelige gevolgen heeft of redelijkerwijs verwacht kan worden te hebben voor OctoPlus, de Bieder of het Bod en (b) niet kan worden hersteld binnen tien dagen na ontvangst door OctoPlus van een schriftelijke aanmaning van de Bieder of niet is hersteld binnen tien dagen na ontvangst door OctoPlus van een schriftelijke aanmaning van de Bieder;
- (v) dat de Aanbeveling van de Boards niet is ingetrokken, materieel gewijzigd, aangepast of gekwalificeerd;

- (vi) dat er geen openbare mededeling is gedaan dat een ander dan de Bieder een Concurrerend Bod voorbereidt of zal doen;
- (vii) dat geen ander dan de Bieder en zijn Groepsmaatschappijen het recht zal hebben verkregen of is overeengekomen zich in te schrijven op effecten in het vermogen van OctoPlus (inclusief Aandelen) en OctoPlus geen effecten of rechten om in te schrijven op effecten van OctoPlus (inclusief Aandelen) heeft uitgegeven of verleend in de periode beginnend op de Startdatum en eindigend op de Dag van Gestanddoening;
- (viii) dat op of voor de Dag van Gestanddoening, geen mededeling is ontvangen van de AFM, waarin wordt gesteld dat de voorbereiding van het Bod in strijd is met hoofdstuk 5.5 Wft en dat, ingevolge artikel 5:80, lid 2 Wft, beleggingsondernemingen (zoals gedefinieerd in de Wft) niet zouden mogen meewerken aan de uitvoering en voltooiing van het Bod;
- (ix) dat op of voor de Dag van Gestanddoening de handel in Aandelen op de gereguleerde markt van Euronext Amsterdam niet zal zijn geschorst of beëindigd als het gevolg van een noteringsmaatregel van Euronext Amsterdam in overeenstemming met artikel 6901/2 of enige andere bepaling uit het Euronext Rulebook I, het voorgaande met uitzondering van de schorsing op een tijdelijke basis zoals die in de normale gang van zaken gebruikelijk is; en
- (x) dat op de Dag van Gestanddoening, geen Overheidsbevel van kracht is welke voltooiing van het Bod beperkt, verbiedt of materieel vertraagt op de Voorwaarden zoals uiteengezet in de Fusieovereenkomst of de voltooiing van de Fusie.

#### **12.7.2 Afstand**

De Voorwaarden uiteengezet in Hoofdstuk 12.7.1(i) tot en met 12.7.1(vii) en 12.7.1(ix) zijn uitsluitend opgenomen ten behoeve van de Bieder en hiervan mag te allen tijde afstand worden gedaan door de Bieder (geheel of gedeeltelijk), door middel van een schriftelijke verklaring aan OctoPlus.

Van de Voorwaarden in Hoofdstuk 12.7.1(viii) en 12.7.1(x) kan geen afstand worden gedaan.

Geen van de partijen mag gebruik maken van een van de Voorwaarden als de niet-nakoming van deze voorwaarde is veroorzaakt door een inbreuk van de partij op een verplichting uit de Fusieovereenkomst.

#### **12.7.3 Vervulling van Voorwaarden**

Wanneer de Bieder zich ervan heeft verzekerd dat een Voorwaarde niet is vervuld of dat een Voorwaarde niet kan worden vervuld en van deze Voorwaarde geen afstand is of kan worden gedaan, zal de Bieder hiervan een openbare mededeling doen overeenkomstig de Toepasselijke Regelgeving.

## 12.8 Aanmelding

### 12.8.1 Aanmeldingstermijn

De Aanmeldingstermijn vangt aan om 09:00 uur CET op 14 december 2012 en eindigt op de Uiterste Dag van Aanmelding om 18:00 uur CET tenzij de Aanmeldingstermijn is verlengd in overeenstemming met Hoofdstuk 12.8.3 (*Verlenging*).

Aandelen die reeds zijn aangemeld op of voorafgaand aan de Uiterste Dag van Aanmelding mogen niet worden ingetrokken, behoudens het recht om in te trekken bij een verlenging van de Aanmeldingstermijn in overeenstemming met het Bob. Indien het Bod is verlengd, blijven alle eerder aangemelde en niet ingetrokken Aandelen onderworpen aan het Bod. Aandelen aangemeld tijdens een verlenging van de Aanmeldingstermijn mogen niet worden ingetrokken.

Indien aan alle Voorwaarden is voldaan of, voor zover van toepassing, daarvan afstand is gedaan, zal de Bieder alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, voor zover de Bieder de aanmelding desalniettemin heeft aanvaard) en niet geldig zijn ingetrokken met inachtneming van de procedures zoals uiteengezet in Hoofdstuk 12.9 (*Aanvaarding door de Aandeelhouders*).

### 12.8.2 Gestanddoening

Het Bod wordt gedaan onder voorbehoud van vervulling van de Voorwaarden zoals uiteengezet in Hoofdstuk 12.7 (*Voorwaarden, afstand en vervulling*). Van de Voorwaarden kan afstand worden gedaan, voor zover wettelijk toegestaan, zoals uiteengezet in Hoofdstuk 12.7 (*Voorwaarden, afstand en vervulling*). Indien de Bieder voornemens is afstand te doen van één of meerdere Voorwaarden in overeenstemming met het bepaalde in Hoofdstuk 12.7 (*Voorwaarden, afstand en vervulling*), zal de Bieder de Aandeelhouders op de hoogte brengen, op de manier zoals voorgeschreven in de Toepasselijke Regelgeving.

De Bieder zal niet later dan op de derde Werkdag na de Uiterste Dag van Aanmelding, zijnde de Dag van Gestanddoening, vaststellen of aan de Voorwaarden is voldaan dan wel daarvan afstand wordt gedaan zoals beschreven in Hoofdstuk 12.7 (*Voorwaarden, afstand en vervulling*) voor zover toegestaan ingevolge de Toepasselijke Regelgeving. Bovendien zal de Bieder op de Dag van Gestanddoening een openbare mededeling doen inhoudende dat ofwel (i) het Bod gestand wordt gedaan, ofwel (ii) het Bod wordt verlengd in overeenstemming met artikel 15 Bob, ofwel (iii) het Bod niet gestand wordt gedaan omdat niet is voldaan aan de Voorwaarden en daarvan geen afstand is gedaan, alles met inachtneming van artikel 16 Bob. Indien het Bod niet gestand wordt gedaan, zal de Bieder dit besluit motiveren.

Indien de Bieder aankondigt dat het Bod gestand wordt gedaan, zal de Bieder alle Aangemelde Aandelen accepteren tegen betaling van de Biedprijs en zal een Na-aanmeldingstermijn worden aangekondigd als uiteengezet in Hoofdstuk 12.8.4 (*Na-aanmeldingstermijn*).

### 12.8.3 Verlenging

Indien en voor zover één of meer van de Voorwaarden als uiteengezet in Hoofdstuk 12.7 (*Voorwaarden, afstand en vervulling*) niet is vervuld op de Uiterste Dag van Aanmelding kan de Bieder in overeenstemming met artikel 15, leden 1 en 2 Bob, de Aanmeldingstermijn verlengen voor een minimale periode van twee weken en een maximale periode van tien weken teneinde deze Voorwaarden alsnog in vervulling te

doen gaan of daarvan afstand te doen. In aanvulling hierop mag de Aanmeldingstermijn verlengd worden indien de omstandigheden zoals bedoeld in artikel 15, lid 5 of 9 Bob zich voordoen. Verdere verlenging van de Aanmeldingstermijn is onderhevig aan het verkrijgen van een ontheffing van de AFM, welke alleen in uitzonderlijke omstandigheden gegeven zal worden. Ingeval van een dergelijke verlenging zullen alle verwijzingen in dit Biedingsbericht naar 18:00 uur CET op de Uiterste Dag van Aanmelding wijzigen naar de laatste datum en tijd van de verlengde Aanmeldingstermijn.

Indien de Aanmeldingstermijn wordt verlengd, met als gevolg dat de verplichting onder artikel 16 Bob om aan te kondigen of het Bod al dan niet gestand wordt gedaan, wordt uitgesteld, zal dit uiterlijk op de derde Werkdag na de Dag van Gestanddoening worden aangekondigd, met inachtneming van het bepaalde in de leden 1 en 2 van artikel 15 Bob. Als de Bieder de Aanmeldingstermijn verlengt, zal het Bod eindigen op het tijdstip en datum zoals bepaald door de Bieder.

Gedurende een verlenging van de Aanmeldingstermijn blijft elk Aandeel dat is aangemeld en niet is ingetrokken op grond van artikel 15 lid 3 Bob of op een andere wijze in overstemming met het Bob is ingetrokken, onderworpen aan het Bod.

#### **12.8.4 Na-aanmeldingstermijn**

Indien de Bieder aankondigt dat het Bod gestand wordt gedaan, zal de Bieder ingevolge artikel 17 Bob binnen drie Werkdagen na de Dag van Gestanddoening een Na-aanmeldingstermijn aankondigen van maximaal twee weken, gedurende welke Aandeelhouders alsnog Aandelen mogen aanmelden die nog niet zijn aangemeld op basis van dezelfde Voorwaarden en prijs onder het Bod. De Na-aanmeldingstermijn zal beginnen op de Werkdag na de dag waarop een Na-aanmeldingstermijn is aangekondigd.

De Bieder zal de resultaten van de Na-aanmeldingstermijn en het totale aantal en percentage van de door de Bieder gehouden Aandelen uiterlijk op de derde Werkdag na afloop van de Na-aanmeldingstermijn publiekelijk mededelen, in overeenstemming met artikel 17, lid 4 Bob. De Bieder zal gedurende de Na-aanmeldingstermijn doorgaan met het aanvaarden van alle geldig Aangemelde Aandelen. Betaling voor de Aandelen die zijn aangemeld gedurende de Na-aanmeldingstermijn zal plaatsvinden binnen vijf Werkdagen na afloop van de Na-aanmeldingstermijn.

Gedurende de Na-aanmeldingstermijn hebben Aandeelhouders niet het recht om de aanmelding van hun Aandelen in te trekken ongeacht of de Aandelen gedurende de Aanmeldingstermijn geldig zijn aangemeld (of op ongeldige wijze, voor zover de Bieder de aanmelding desalniettemin heeft aanvaard) of gedurende de Na-aanmeldingstermijn.

#### **12.8.5 Overdracht**

Indien de Bieder aankondigt het Bod gestand te doen, zullen Aandeelhouders die hun Aandelen hebben aangemeld en aan de Bieder hebben geleverd binnen vijf Werkdagen volgend op de Dag van Gestanddoening (de "**Dag van Overdracht**"), de Biedprijs ontvangen voor elk Aangemeld Aandeel. Vanaf dat moment is ontbinding of nietigverklaring van de aanbidding of levering niet meer toegestaan.



## **12.9 Aanvaarding door Aandeelhouders**

### **12.9.1 Aandelen gehouden via Aangesloten Instellingen**

Aandeelhouders die hun Aandelen houden via een Aangesloten Instelling worden verzocht om hun aanmelding via hun bank of commissionair niet later dan op de Uiterste Dag van Aanmelding om 18:00 uur CET bekend te maken, tenzij de Aanmeldingstermijn is verlengd overeenkomstig Hoofdstuk 12.8.3 (*Verlenging*). De bewaarder, bank of commissionair kan een eerdere deadline vaststellen voor aanmelding door Aandeelhouders zodat deze bewaarder, bank of commissionair voldoende tijd heeft om de aanmelding door te geven aan het Omwissel- en Betaalkantoor.

Dienovereenkomstig dienen Aandeelhouders die Aandelen houden via een Aangesloten Instelling zich te houden aan de data gecommuniceerd door de relevante Aangesloten Instelling aangezien zulke data kunnen verschillen van de tijden en data in dit Biedingsbericht.

De desbetreffende Aangesloten Instellingen mogen de aanmeldingen slechts indienen bij het Omwissel- en Betaalkantoor en alleen in schriftelijke vorm. Bij het indienen van de aanmeldingen dient iedere Aangesloten Instelling te verklaren dat: (i) zij de Aangemelde Aandelen in hun administratie hebben opgenomen; (ii) iedere Aandeelhouder die het Bod onherroepelijk accepteert, garandeert dat de Aangemelde Aandelen worden aangemeld in overeenstemming met de restricties die worden genoemd in de Hoofdstuk 2 (*Restrictions*) en de informatie opgenomen in Hoofdstuk 3 (*Important information*); en (iii) zij zich verplicht om de Aangemelde Aandelen te leveren aan de Bieder voor of uiterlijk op de Dag van Overdracht, onder de voorwaarde dat het Bod gestand is gedaan.

Behoudens geldige intrekking van Aangemelde Aandelen heeft het aanmelden van Aandelen te gelden als een onherroepelijke instructie tot het blokkeren van enigerlei poging de Aangemelde Aandelen over te dragen, zodat op of voorafgaand aan de Dag van Overdracht niet tot levering van zulke Aandelen kan worden overgegaan (anders dan aan het Omwissel- en Betaalkantoor op of voorafgaand aan de Dag van Overdracht als het Bod gestand wordt gedaan en de Aandelen voor koop zijn geaccepteerd of indien intrekkingen van toepassing zijn vanwege een verlenging van de Aanmeldingstermijn) en om de effectenrekening waar zulke Aandelen op gehouden worden te debiteren op de Dag van Overdracht ten aanzien van alle Aangemelde Aandelen tegen betaling door het Omwissel- en Betaalkantoor van de Biedprijs met betrekking tot deze Aandelen.

### **12.9.2 Aanvaarding door Aandeelhouders die individueel zijn geregistreerd in OctoPlus' aandeelhoudersregister**

Aandeelhouders die individueel zijn geregistreerd in het aandeelhoudersregister van OctoPlus en die hun Aandelen willen aanmelden onder het Bod, dienen een compleet en getekend aanmeldingsformulier te overhandigen aan het Omwissel- en Betaalkantoor in overeenstemming met de Voorwaarden, niet later dan op de Uiterste Dag van Aanmelding om 18:00 uur CET. De aanmeldingsformulieren zijn op verzoek verkrijgbaar bij het Omwissel- en Betaalkantoor. Het aanmeldingsformulier zal tevens dienen als een akte van levering met betrekking tot de Aandelen waarnaar daarin wordt verwezen.

### 12.9.3 Verklaringen, verplichtingen en garanties door Aandeelhouders die hun Aandelen aanmelden

Iedere Aandeelhouder die Aandelen aanmeldt onder het Bod, verklaart en garandeert daarmee jegens de Bieder, op de dag dat die Aandelen worden aangemeld en op de Dag van Overdracht, dat:

- (i) de aanmelding van Aandelen door de Aandeelhouders een aanvaarding inhoudt van het Bod onder de voorschriften en Voorwaarden van het Bod;
- (ii) de betrokken Aandeelhouder volledig gerechtigd en bevoegd is de Aandelen aan te melden, te verkopen en te leveren, en geen andere overeenkomst is aangegaan tot aanmelding, verkoop of levering van de volgens opgave Aangemelde Aandelen met derden anders dan aan de Bieder (zulks tezamen met alle bijbehorende rechten) en dat, wanneer deze Aandelen door de Bieder worden verworven onder het Bod, de Bieder die Aandelen in volledige en onbezwaarde vorm verwerft, vrij van rechten van derden en beperkingen van welke aard dan ook; en
- (iii) bij aanmelding van dergelijke Aandelen, Hoofdstuk 2 (*Restrictions*) en Hoofdstuk 3 (*Important information*) en de effectenwetgeving en overige toepasselijke wet- en regelgeving van de jurisdictie waarin de betrokken Aandeelhouder zich bevindt of waarvan hij ingezetene is, is nageleefd en geen registratie, goedkeuring of deponering bij enige toezichthoudende instantie van die jurisdictie vereist is in verband met de aanmelding van die Aandelen.

### 12.10 Besluitvorming en Aanbeveling van de Raad van Bestuur en de Raad van Commissarissen

Zoals vermeld in de Standpuntbepaling, na het inwinnen van juridisch en financieel advies en na zorgvuldige en uitgebreide afweging van de strategische en bedrijfseconomische rationale, financiële en sociale aspecten van de voorgenomen transactie, en in overweging nemende andere beschikbare alternatieven (inclusief een *stand alone* scenario), hebben de Boards geconcludeerd dat het Bod zoals uiteengezet in dit Biedingsbericht in het belang is van OctoPlus, haar aandeelhouders, haar werknemers en haar andere stakeholders.

De Raad van Bestuur heeft gedurende het proces regelmatig overleg gevoerd met de Raad van Commissarissen, waarbij de Raad van Commissarissen zeer betrokken is geweest van het begin tot het einde. De Voorwaarden, zoals opgenomen in de Fusieovereenkomst en dit Biedingsbericht, zijn met voorafgaande toestemming van de Raad van Commissarissen overeengekomen tussen Dr. Reddy's en OctoPlus.

De Boards zijn van oordeel dat de Biedprijs, alsmede de overige Voorwaarden van het Bod, redelijk zijn jegens de Aandeelhouders vanuit financieel oogpunt. In dit verband wordt verwezen naar de Fairness Opinie, die geen deel uitmaakt van dit Biedingsbericht en is opgenomen in de Standpuntbepaling.

Onder verwijzing naar het bovenstaande, ondersteunen de Boards het Bod volledig en bevelen zij de Aandeelhouders unaniem aan om het Bod te aanvaarden en om op de BAVA vóór alle aldaar in verband met het Bod voor te stellen besluiten te stemmen.

## 12.11 Toezeggingen

### 12.11.1 Gebonden Aandeelhouders

Onroerend Goed Beheer- en Beleggingsmaatschappij A. Van Herk B.V., LSP III Omni Investment Coöperatief U.A., Signet Healthcare Partners, L.L.C. SR One, Limited, J.J.M. Holthuis (the oprichter van OctoPlus) en zijn persoonlijke houdstermaatschappij Sodoro B.V., N.V. Fagus en fondsen beheerd door IPSA (eerder genaamd Innoven Partenaires S.A.) (de “**Gebonden Aandeelhouders**”) hebben onherroepelijk toegezegd het Bod te accepteren voor de door hen gehouden Aandelen, onderworpen aan gebruikelijke voorwaarden. Gezamenlijk houden de Gebonden Aandeelhouders 62,4% van de Aandelen.

De Onherroepelijke Toezeggingen bevatten gebruikelijke voorwaarden, waaronder dat een Onherroepelijke Toezegging zal eindigen (opdat Gebonden Aandeelhouders niet langer gehouden zijn hun Aandelen aan te bieden en/of hun aanvaarding van het Bod in te trekken) ingeval een Concurrerend Bod is gedaan en de Bieder geen gelijkwaardig aangepast bod heeft gedaan of heeft aangegeven geen aangepast bod te zullen doen, en de Boards hun Aanbevelingen hebben ingetrokken of aangepast en dit publiek bekend hebben gemaakt.

Onherroepelijke Toezeggingen zullen verder eindigen ingeval dat (i) ofwel de Bieder ofwel OctoPlus de Fusieovereenkomst heeft beëindigd, (ii) het Bod niet gestand is gedaan in overeenstemming met de Voorwaarden of (iii) het Bod gestand is gedaan in overeenstemming met de Voorwaarden.

De Gebonden Aandeelhouders zullen hun Aandelen aanbieden tegen de Biedprijs en onder de Voorwaarden van het Bod zoals uiteengezet in dit Biedingsbericht. De Gebonden Aandeelhouders hebben geen informatie ontvangen anders dan de informatie opgenomen in dit Biedingsbericht.

### 12.11.2 Gebonden leden van de Boards

De individuele leden van de Boards die gezamenlijk 1,1% van de Aandelen houden, hebben eveneens onherroepelijk toegezegd hun Aandelen aan te bieden onder het Bod tegen de Biedprijs en onder de Voorwaarden van het Bod zoals uiteengezet in dit Biedingsbericht. Naar het beste weten van de Bieder en OctoPlus, hebben deze leden geen informatie ontvangen die relevant is voor de beoordeling van het Bod door de Aandeelhouders anders dan de informatie opgenomen in dit Biedingsbericht.

## 12.12 Gevolgen van het Bod

Een uitgebreide beschrijving van de gevolgen van het Bod is opgenomen in dit Hoofdstuk 12.12 (*Gevolgen van het Bod*). Verder wordt verwezen naar Hoofdstuk 6.17.7 (*Business Development Agreement*) waarin wordt beschreven wanneer Aandelen uitgegeven kunnen worden ingevolge de Business Development Agreement tussen de Bieder en OctoPlus d.d. 13 December 2012.

### 12.12.1 Liquiditeit en delisting

Door de aankoop van Aandelen door de Bieder als gevolg van het Bod zal het aantal Aandeelhouders en het aantal openbaar verhandelbare Aandelen afnemen, als gevolg waarvan de liquiditeit en mogelijk de marktwaarde van de resterende niet Aangemelde Aandelen negatief zal worden beïnvloed.

Indien het Bod gestand wordt gedaan is de Bieder voornemens om, voor zover toegestaan onder het toepasselijke recht, zo spoedig als redelijkerwijs mogelijk onder de geldende regels en voorschriften, de notering van de Aandelen aan Euronext Amsterdam en de noteringsovereenkomst tussen OctoPlus en Euronext te beëindigen.

Wanneer ten minste 95% van het geplaatste aandelenkapitaal van OctoPlus in handen is van één enkele Aandeelhouder geldt als algemene regel, dat beëindiging van de notering van de Aandelen aan de Euronext Amsterdam is toegestaan. Echter, de notering van de Aandelen aan de Euronext Amsterdam kan ook worden beëindigd als gevolg van een juridische fusie.

De Bieder heeft niet de intentie te voorzien in een liquiditeitsmechanisme voor de Aandelen die niet worden aangemeld onder het Bod, anders dan dat de Bieder een standaard order kan plaatsen op Euronext Amsterdam om Aandelen van minderheidsaandeelhouders in te kopen tegen een prijs gelijk aan de Biedprijs gedurende een periode van ten minste twee weken na afloop van de Na-aanmeldingstermijn. Voor zover dit doorgang vindt, is de aankondiging daarvan voorwaardelijk aan voorafgaande regulatoire goedkeuring in overeenstemming met de Toepasselijke Regelgeving.

#### **12.12.2 Herstructurering na gestanddoening**

De Bieder behoudt zich het recht voor om middels elke toegestane methode 100% van de Aandelen te verkrijgen. In het geval dat na de Dag van Gestanddoening de Bieder (gezamenlijk met zijn groepsmaatschappijen) meer dan 95% van het geplaatste kapitaal van OctoPlus houdt, zal zij zo snel mogelijk een uitkoopprocedure op grond van artikel 2:92a, 2:201a of 2:359c van het Burgerlijk Wetboek starten teneinde de resterende Aandelen die niet zijn aangemeld en niet gehouden worden door de Bieder of OctoPlus te verkrijgen.

In aanvulling hierop, en ongeacht of de Bieder na afronding van het Bod 95% van het geplaatst kapitaal van OctoPlus houdt, zou de Bieder andere herstructureringen van de OctoPlus Groep kunnen (doen) bewerkstelligen met als doel een optimale operationele, juridische, financiële, en/of fiscale structuur te bereiken in overeenstemming met de Toepasselijke Regelgeving en Nederlands Recht in het algemeen. Sommige van deze maatregelen kunnen de verwatering van achtergebleven minderheidsaandeelhouders van OctoPlus als (bij-)effect hebben. Deze maatregelen omvatten onder meer:

- (i) een verkoop van alle of wezenlijk alle activa en passiva van OctoPlus aan Dr. Reddy's of een Groepsmaatschappij van Dr. Reddy's;
- (ii) een opvolgend openbaar bod voor de Aandelen die nog door minderheidsaandeelhouders van OctoPlus gehouden worden;
- (iii) een juridische grensoverschrijdende of nationale (driehoeks-)fusie;
- (iv) de inbreng van contanten of andere activa door Dr. Reddy's of een Groepsmaatschappij daarvan in ruil voor (preferente) aandelen in het kapitaal van OctoPlus;
- (v) de uitkering van winst, reserves of activa, ontbinding en vereffening van OctoPlus;

- (vi) omzetting van OctoPlus in een besloten vennootschap met beperkte aansprakelijkheid;
- (vii) transacties tussen OctoPlus en Dr. Reddy's tegen voorwaarden die niet op 'arms-length' basis zijn;
- (viii) een combinatie van het voorgaande; of
- (ix) iedere transactie, herstructurering, aandelenuitgifte, of procedure ten aanzien van OctoPlus of haar Groepsmaatschappijen die nodig zijn om de hierboven genoemde doelen te behalen.

### 12.13 Aankondigingen

Iedere aankondiging met betrekking tot het Bod zal door middel van een persbericht worden uitgebracht. Onder voorbehoud van de wettelijke vereisten op grond van de Toepasselijke Regelgeving en zonder afbreuk te doen aan de manier waarop de Bieder een publieke aankondiging wenst te doen, zal op de Bieder geen enkele verplichting rusten om een publieke aankondiging te doen anders dan zoals hierboven uiteengezet.

### 12.14 Indicatief tijdschema

Verwachte datum en tijd	Gebeurtenis
13 december 2012	Publicatie van het persbericht met betrekking tot de verkrijgbaarstelling van dit Biedingsbericht en de aanvang van het Bod
09:00 uur CET op 14 december 2012	Aanvang van de Aanmeldingstermijn onder het Bod
14:00 uur CET op 15 januari 2013	BAVA, op welke vergadering onder andere de Waardevermindering en het Bod zullen worden besproken
18:00 CET op 8 februari 2013, tenzij verlengd	Uiterste Dag van Aanmelding: Uiterste datum waarop Aandeelhouders hun Aandelen kunnen aanmelden, tenzij de termijn is verlengd in overeenstemming met artikel 15 Bob
Uiterlijk drie Werkdagen na de Uiterste Dag van Aanmelding	Dag van Gestanddoening: De dag waarop de Bieder zal aankondigen of het Bod al dan niet gestand wordt gedaan in overeenstemming met artikel 16 Bob.
Uiterlijk drie Werkdagen na de Dag van Gestanddoening	Na-aanmeldingstermijn: Indien het Bod gestand is gedaan, zal de Bieder een Na-aanmeldingstermijn aankondigen voor een periode van niet meer dan twee weken in overeenstemming met artikel 17 Bob
Uiterlijk vijf Werkdagen na de Dag van Gestanddoening	Dag van Overdracht: De dag waarop, overeenkomstig de Voorwaarden, de Bieder de Biedprijs zal

## 12.15 Governance Structuur

### 12.15.1 Raad van Bestuur van OctoPlus

De Raad van Bestuur van OctoPlus bestaat uit de volgende leden:

- (i) Dhr. J.H. Egberts;
- (ii) Mw. S. Swarte; en
- (iii) Dhr. G. Moolhuizen.

### 12.15.2 Raad van bestuur van de Bieder

De raad van bestuur van de Bieder bestaat uit de volgende leden:

- (i) Dhr. A.R. Kallam; en
- (ii) Intertrust (Netherlands) B.V.

### 12.15.3 Raad van bestuur van Dr. Reddy's

De raad van bestuur van Dr. Reddy's bestaat uit de volgende leden:

- (i) Uitvoerende bestuurders
  - (a) Dhr. K. Anji Reddy;
  - (b) Dhr. G.V. Prasad; en
  - (c) Dhr. Satish Reddy.
- (ii) Niet-uitvoerende bestuurders
  - (a) Dhr. A. Puri;
  - (b) Dhr. B. Carter;
  - (c) Dhr. J.P. Moreau;
  - (d) Mw. K. Morparia;
  - (e) Dhr. O. Goswami;
  - (f) Dhr. R. Bhoothalingam;
  - (g) Dhr. A. Ganguly; en
  - (h) Dhr. S. Iyengar.

## **13 Selected Financial Information of OctoPlus**

### **13.1 General**

The following financial information is made available in this Section 13:

- Section 13.2 Comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009
- Section 13.3 Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009
- Section 13.4 Financial statements for the Financial Year 2011, including explanatory notes
- Section 13.5 Independent auditor's report relating to the Financial statements for the Financial Year 2011
- Section 13.6 Interim financial report June 30, 2012
- Section 13.7 Review report in respect of the Interim financial report June 30, 2012
- Section 13.8 Trading update with respect to Q3 (reference is made to the press release by OctoPlus dated 15 November 2012 relating to the Q3 trading update)

### **13.2 Comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009**

A comparative overview of summaries of OctoPlus' consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows for the financial years 2011, 2010 and 2009 has been prepared in accordance with the Decree and has been derived from the respective audited financial statement for the financial years 2011, 2010 and 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

## Consolidated statement of financial position

	(In € x 1,000)		
	At 31 December 2011	At 31 December 2010	At 31 December 2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	243	243	243
Patents	1,519	1,811	2,102
Other intangible assets	78	5	29
	1,840	2,059	2,374
<i>Property, plant and equipment</i>			
Buildings	6,475	6,903	7,333
Machines and installations	7,700	8,946	10,804
Other equipment	143	199	316
	14,318	16,048	18,453
Financial assets carried at cost	1,299	1,299	1,299
	17,457	19,406	22,126
Current assets			
Inventories	388	307	457
Trade receivables	2,357	1,735	2,207
Social securities and other taxes	161	208	284
Other receivables, prepayments and accrued income	887	978	1,343
Cash and cash equivalents	1,603	2,713	3,324
	5,396	5,941	7,615
Total assets	22,853	25,347	29,741
EQUITY			
Shareholders' equity	6,486	8,935	11,343
Total group equity	6,486	8,935	11,343
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	8,228	9,296	10,316
	8,228	9,296	10,316
Current liabilities			
Current portion of finance lease liabilities	1,115	1,020	951
Bank overdrafts	-	6	11
Trade payables	2,195	1,471	2,136
Social securities and other taxes	165	176	43
Other current liabilities	4,664	4,443	4,941
	8,139	7,116	8,082
Total liabilities	16,367	16,412	18,398
Total equity and liabilities	22,853	25,347	29,741



## Consolidated statement of comprehensive income

(In € x 1,000)

	Year ended 31 December		
	2011	2010	2009
Service revenues	7,675	7,978	18,636
License and other revenues	27	86	370
Income from subsidies	-	265	40
<b>Total revenues</b>	<b>7,702</b>	<b>8,329</b>	<b>19,046</b>
Cost of materials and work contracted out	875	1,090	3,502
Wages and salaries	7,008	6,394	10,184
Depreciation and amortization	2,149	2,774	2,770
Other costs	3,106	3,292	4,390
<b>Total operating costs</b>	<b>13,138</b>	<b>13,550</b>	<b>20,846</b>
<b>Operating result</b>	<b>(5,436)</b>	<b>(5,221)</b>	<b>(1,800)</b>
Interest income	17	12	18
Interest costs	(897)	(993)	(1,175)
<b>Result before corporate income taxes</b>	<b>(6,316)</b>	<b>(6,202)</b>	<b>(2,957)</b>
Corporate income taxes	-	-	-
<b>Result for the period</b>	<b>(6,316)</b>	<b>(6,202)</b>	<b>(2,957)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive result for the period</b>	<b>(6,316)</b>	<b>(6,202)</b>	<b>(2,957)</b>
<b>Attributable to:</b>			
Equity holders of the Company	<b>(6,316)</b>	<b>(6,202)</b>	<b>(2,957)</b>
<b>Result per share for result attributable to the equity holders of the Company during the period</b> (expressed in Euro per share)			
Basic	(0.17)	(0.19)	(0.10)
Diluted	(0.17)	(0.19)	(0.10)

## Consolidated statement of cash flows

(In € x 1,000)

	Year ended 31 December		
	2011	2010	2009
<b>Cash flows from operating activities</b>			
Result before corporate income taxes	(6,316)	(6,202)	(2,957)
Adjustments for:			
– Depreciation and amortization	2,149	2,774	2,770
– Share option expenses	289	157	133
– Interest costs	897	993	1,175
– Interest income	(17)	(12)	(18)
Changes in working capital:			
– Inventories	(81)	150	177
– Trade receivables	(622)	472	(81)
– Social securities and other taxes	36	209	(603)
– Other receivables, prepayments and accrued income	87	376	(206)
– Trade payables	585	(478)	(1,089)
– Other liabilities and accruals	222	(409)	(1,008)
Cash used in operations	(2,771)	(1,970)	(1,707)
Interest received	22	-	13
Interest paid	(901)	(990)	(1,101)
Net cash used in operating activities	(3,650)	(2,960)	(2,795)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(76)	(58)	(1,444)
Purchases of intangible assets	(16)	-	(12)
Net cash used in investing activities	(92)	(58)	(1,456)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	3,683	3,363	9,380
Repayment of finance lease liabilities	(1,045)	(951)	(934)
Net cash generated from financing activities	2,638	2,412	8,446
<b>Cash, cash equivalents and bank overdrafts</b>			
Net decrease during the year	(1,104)	(606)	4,195
Balance at beginning of the year	2,707	3,313	(882)
<b>Balance at end of the year</b>	<b>1,603</b>	<b>2,707</b>	<b>3,313</b>

### **13.3 Independent auditor's statement in respect of comparative Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows for the Financial Year 2011, the Financial Year 2010 and the Financial Year 2009**

#### **Independent auditor's report**

To: the General Meeting of Shareholders of OctoPlus N.V.

The accompanying comparative overview of consolidated statement of financial position, consolidated statement of comprehensive income and consolidated cash flow statement for the financial years 2009, 2010 and 2011 (hereafter: the comparative overview) of OctoPlus N.V., Leiden, is derived from the audited financial statements of OctoPlus N.V. for the years ended December 31, 2009, December 31, 2010 and December 31, 2011. We expressed an unqualified opinion on these financial statements in our reports dated April 2, 2010, March 18, 2011 and April 27, 2012. The comparative overview has been prepared by management in accordance with the criteria for the comparative overview as included in section 13.2 of the Offer Memorandum dated 13 December 2012. Those financial statements, and the comparative overview, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The comparative overview does not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the comparative overview, therefore, is not a substitute for reading the audited financial statements of OctoPlus N.V.

#### **Management's responsibility**

Management is responsible for the preparation of the statement in accordance with the criteria for the comparative overview as included in section 13.2 of the Offer Memorandum dated 13 December 2012.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

#### **Opinion**

In our opinion, the comparative overview has been correctly derived, in all material respects from the audited financial statements 2009, 2010 and 2011 of OctoPlus N.V. and in accordance with the criteria as included in section 13.2 of the Offer Memorandum dated 13 December 2012.

#### **Restriction on Use and Distribution**

The comparative overview is prepared solely for enclosure in the Offer Memorandum dated 13 December 2012 in connection with the public cash offer by Reddy's Netherland B.V. to acquire all issued and outstanding ordinary shares of OctoPlus N.V. and should not be used for other purposes.

Amsterdam, 13 December 2012

Deloitte Accountants B.V.  
I.A. Buitendijk

## 13.4 Financial statements for the Financial Year 2011, including explanatory notes

### OctoPlus N.V.

#### Consolidated financial statements

#### Consolidated statement of financial position

		<i>(In € x 1,000)</i>	
	Note	At 31 December 2011	At 31 December 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill	6	243	243
Patents	6	1,519	1,811
Other intangible assets	6	78	5
		1,840	2,059
Property, plant and equipment			
Buildings	7	6,475	6,903
Machines and installations	7	7,700	8,946
Other equipment	7	143	199
		14,318	16,048
Financial assets carried at cost	8	1,299	1,299
		17,457	19,406
<b>Current assets</b>			
Inventories	10	388	307
Trade receivables	11	2,357	1,735
Social securities and other taxes	11	161	208
Other receivables, prepayments and accrued income	11	887	978
Cash and cash equivalents	9	1,603	2,713
		5,396	5,941
		<b>22,853</b>	<b>25,347</b>
<b>Total assets</b>			
<b>EQUITY</b>			
Shareholders' equity	12	6,486	8,935
		<b>6,486</b>	<b>8,935</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities	15	8,228	9,296
		8,228	9,296
<b>Current liabilities</b>			
Current portion of finance lease liabilities	15	1,115	1,020
Bank overdrafts	9,15	-	6
Trade payables	16	2,195	1,471
Social securities and other taxes	16	165	176
Other current liabilities	16	4,664	4,443
		8,139	7,116
		<b>16,367</b>	<b>16,412</b>
		<b>22,853</b>	<b>25,347</b>
<b>Total liabilities</b>			
<b>Total equity and liabilities</b>			

## Consolidated statement of comprehensive income

(In € x 1,000)

	Note	Year ended 31 December	
		2011	2010
Service revenues	5,17	7,675	7,978
License and other revenues	5,17	27	86
Income from subsidies	5,18	-	265
<b>Total revenues</b>		<b>7,702</b>	<b>8,329</b>
Cost of materials and work contracted out	19	875	1,090
Wages and salaries	20	7,008	6,394
Depreciation and amortization	6,7	2,149	2,774
Other costs	21	3,106	3,292
<b>Total operating costs</b>		<b>13,138</b>	<b>13,550</b>
<b>Operating result</b>		<b>(5,436)</b>	<b>(5,221)</b>
Interest income	22	17	12
Interest costs	22	(897)	(993)
<b>Result before corporate income taxes</b>		<b>(6,316)</b>	<b>(6,202)</b>
Corporate income taxes	13	-	-
<b>Result for the period</b>		<b>(6,316)</b>	<b>(6,202)</b>
Other comprehensive income		-	-
<b>Total comprehensive result for the period</b>		<b>(6,316)</b>	<b>(6,202)</b>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(6,316)</b>	<b>(6,202)</b>
<b>Result per share for result attributable to the equity holders of the Company during the period</b> (expressed in Euro per share)			
Basic	23	(0.17)	(0.19)
Diluted	23	(0.17)	(0.19)

## Consolidated statement of changes in equity

(In € x 1,000)

	Note	Share capital	Share premium reserve	Other reserves	Accumulated deficit	Total equity
<b>Balance at 1 January 2010</b>		<b>4,012</b>	<b>49,686</b>	<b>754</b>	<b>(43,109)</b>	<b>11,343</b>
Result for the year		-	-	-	(6,202)	(6,202)
Other comprehensive income for the year		-	-	-	-	-
<b>Total comprehensive result for 2010</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,202)</b>	<b>(6,202)</b>
Employee share option scheme:						
– value of employee services	12	-	-	157	-	157
– options exercised, lapsed & forfeited	12	-	-	(134)	134	-
Issue of share capital – financing	12	401	3,544	-	-	3,945
Issue of share capital – costs	12	-	(308)	-	-	(308)
		401	3,236	23	134	3,794
<b>Balance at 31 December 2010</b>		<b>4,413</b>	<b>52,922</b>	<b>777</b>	<b>(49,177)</b>	<b>8,935</b>
<b>Balance at 1 January 2011</b>		<b>4,413</b>	<b>52,922</b>	<b>777</b>	<b>(49,177)</b>	<b>8,935</b>
Result for the year		-	-	-	(6,316)	(6,316)
Other comprehensive income for the year		-	-	-	-	-
<b>Total comprehensive result for 2011</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,316)</b>	<b>(6,316)</b>
Employee share option scheme:						
– value of employee services	12	-	-	289	-	289
– options exercised, lapsed & forfeited	12	-	-	(216)	216	-
Issue of share capital – financing	12	960	3,040	-	-	4,000
Issue of share capital – costs	12	-	(422)	-	-	(422)
		960	2,618	73	216	3,867
<b>Balance at 31 December 2011</b>		<b>5,373</b>	<b>55,540</b>	<b>850</b>	<b>(55,277)</b>	<b>6,486</b>

## Consolidated statement of cash flows

(In € x 1,000)

	Note	Year ended 31 December	
		2011	2010
<b>Cash flows from operating activities</b>			
Result before corporate income taxes		(6,316)	(6,202)
Adjustments for:			
– Depreciation and amortization	6,7	2,149	2,774
– Share option expenses	20	289	157
– Interest costs	22	897	993
– Interest income	22	(17)	(12)
Changes in working capital:			
– Inventories		(81)	150
– Trade receivables		(622)	472
– Social securities and other taxes		36	209
– Other receivables, prepayments and accrued income		87	376
– Trade payables	2,25	585	(478)
– Other liabilities and accruals	2,25	222	(409)
Cash used in operations		(2,771)	(1,970)
Interest received		22	-
Interest paid		(901)	(990)
Net cash used in operating activities		(3,650)	(2,960)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	2,7,25	(76)	(58)
Purchases of intangible assets	6	(16)	-
Net cash used in investing activities		(92)	(58)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	12	3,683	3,363
Repayment of finance lease liabilities		(1,045)	(951)
Net cash generated from financing activities		2,638	2,412
<b>Cash, cash equivalents and bank overdrafts</b>			
Net decrease during the year		(1,104)	(606)
Balance at beginning of the year		2,707	3,313
<b>Balance at end of the year</b>		<b>1,603</b>	<b>2,707</b>



## Notes to the consolidated financial statements

### 1. General information

#### 1.1 Corporate information

OctoPlus N.V. ('the Company' or 'OctoPlus', and 'the Group' including its subsidiaries) is a pharmaceutical company specialised in the controlled release, formulation and cGMP manufacture of injectable products. OctoPlus offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins. The Company is a public limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Zernikedreef 12, 2333 CL Leiden, the Netherlands.

These consolidated financial statements are subject to approval by the Annual General Meeting of Shareholders ('AGM').

In accordance with section 402 of Part 9 of the Netherlands Civil Code a condensed income statement is included in the Company-only financial statements.

These financial statements of the Company have been approved for publication by the members of the Executive Board on 27 April 2012.

#### 1.2 Basis of preparation

The consolidated financial statements of OctoPlus N.V. for the financial year 2011 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). All standards and all interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') effective for 2011 have been adopted by the EU. The consolidated financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements have been prepared under the historical cost convention. Furthermore, the consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

##### *Foreign currency translation*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

### 1.3 Basis of consolidation

The Company is the holding company of a group of companies. The other consolidated group companies ('subsidiaries') at 31 December 2011 are:

- OctoShare B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Development B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Technologies B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus PolyActive Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands;
- Chienna B.V., 100%, having its legal seat in Bilthoven, the Netherlands;

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses between group companies are also eliminated, however, these are considered to be an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of businesses are accounted for by the Group using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognized directly in the income statement, as bargain purchase gain.

### 1.4 New and revised accounting standards

The following amendments to existing standards and interpretations were issued by the IASB in 2011:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards';
- Amendments to IFRS 3 'Business Combinations';
- Amendments to IFRS 7 'Financial Instruments';

- Amendments to IAS 1 ‘Presentation of Financial Statements’;
- Amendments to IAS 24 ‘Related Party Disclosures’;
- Amendments to IAS 27 ‘Consolidated and Separate Financial Statements’;
- Amendments to IAS 32 ‘Financial Instruments: Presentation’;
- Amendments to IAS 34 ‘Interim Financial Reporting’;
- Amendments to IFRIC 13 ‘Customer Loyalty Programmes’;
- IFRIC 14 ‘IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’;
- IFRIC 19 ‘Extinguishing Financial Liabilities with Equity Instruments’.

These amendments to existing standards and interpretations did not have a material effect on the Company’s financial statements.

*Early adoption of IFRS standards and interpretations that were in issue but not yet effective for reporting periods beginning on 1 January 2011*

The IFRS standards and interpretations that were in issue but not yet effective for reporting periods beginning on 1 January 2011 were not yet adopted. The Company anticipates that the adoption of these Standards and Interpretations will not have a material effect on the financial statements of the Group in future periods.

*Early adoption of IFRS standards and interpretations that were not yet endorsed by the EU for reporting periods beginning on 1 January 2011*

The IFRS standards (IFRS 10, 11, 12 and 13) and interpretations (IAS 19R) that were in issue but not yet endorsed by the EU for reporting periods beginning on 1 January 2011 were not yet adopted.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently in the years presented, unless stated otherwise.

### **2.1 Intangible assets**

#### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognized directly in the income statement.

Separately recognized goodwill is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) *Patents*

Acquired patents have a definite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (generally 10 years unless a patent expires prior to that date). Amortization begins when an asset is available for its intended use.

(c) *Computer software*

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (generally three years).

## 2.2 **Property, plant and equipment**

Property, plant and equipment comprise the buildings in Leiden, the manufacturing and laboratory facilities in these buildings, all equipment used in the manufacturing and laboratory facilities and other equipment. The buildings and part of the equipment used in the manufacturing and laboratory facilities are leased under finance lease agreements. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance charges are expensed in the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to reduce the historical cost of the assets to their residual values over their estimated useful lives. The following depreciable lives are used:

– Buildings	20 years
– Machines and installations	3-10 years
– Other equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (also refer to 2.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

### *Finance leases*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'finance lease liabilities'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

### **2.3 Impairment of intangible assets and property, plant and equipment**

Goodwill and other assets not subject to amortization or depreciation are reviewed for impairment at least annually. All assets subject to amortization or depreciation are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Both external and internal sources of information are taken into consideration to assess whether there are indications that the carrying amount may not be recoverable. External sources of information include (i) a significant decline of an asset's market value, (ii) significant changes with an adverse effect on the entity during the period or in the near future, (iii) an increase of market interest rates or other market rates of return on investments and (iv) a carrying amount of the net assets of the entity that is higher than the Company's market capitalization. Internal sources of information include (i) evidence of obsolescence / physical damage of the asset, (ii) significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future in the extent to which, or manner in which, an asset is used or is expected to be used, (iii) indications that the economic performance of an asset is, or will be, worse than expected and (iv) actual / budgeted net cash flows or operating profit or loss from the asset are significantly worse than budgeted. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.4 Financial assets**

The Group has financial assets in the two categories 'loans and receivables' and 'financial assets carried at cost'. In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments or available-for-sale financial assets.

#### *(a) Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. An allowance for doubtful accounts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the income statement within 'other costs'. Interest income is recognized by

applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are included in 'current assets', except for maturities greater than 12 months after the balance sheet date, which are classified as 'non-current assets'.

*(b) Financial assets carried at cost*

Financial assets carried at cost (less accumulated impairment losses) are unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

*(c) Purchases and sales of financial assets*

Regular purchases and sales of financial assets are recognized on trade-date; the date on which the Group commits to purchase or sell the asset. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

*(d) Impairment of financial assets*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset. Signs of impairment could be (i) significant financial difficulty of the issuer, (ii) a breach of contract, (iii) a concession granted to the borrower that the lender, for economic or legal reasons relating to the borrower's financial difficulty would not otherwise consider, (iv) it becoming probable that the borrower will enter into bankruptcy or another financial reorganisation, (v) the disappearance of an active market for that financial asset because of financial difficulties, or (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition of those assets. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

## **2.5 Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories includes expenditures for materials acquired and directly attributable costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories are written down once these become obsolete.

## **2.6 Cash and cash equivalents**

Cash and cash equivalents includes cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities in the consolidated statement of financial position.

## **2.7 Financial liabilities and equity instruments**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

### *(a) Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### *(b) Compound instruments*

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured.

## **2.8 Equity**

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## **2.9 Deferred corporate income taxes**

Deferred corporate income tax is recognized, using the liability method, on temporary differences arising between the tax bases book value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred corporate income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax losses can be offset. Deferred corporate income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred corporate income tax asset is realized or the deferred corporate income tax liability is settled.

## **2.10 Borrowings and other financial liabilities**

Borrowings and other financial liabilities are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method to calculate the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings and other financial liabilities are classified as 'current liabilities' unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date ('non-current liabilities').

Interest on borrowings entered into for the construction of specific assets is capitalized.

## **2.11 Pension obligations**

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. There have not been any significant changes to the plan since inception in February 2006.

## **2.12 Share-based payments**

### *(a) Share-based compensation to employees*

The Company operates an equity-settled, share-based compensation plan which can include conditional options grants and/or unconditional options grants. The costs of employee share option plans are measured by reference to the fair value of the options at the date at which the options are granted using a Binomial option model.

The costs of these options, which reflect the services rendered by employees in exchange for the grant of the options, are recognized in the income statement, together with a corresponding increase in equity during the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Estimates of forfeitures are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### *(b) Equity-settled share-based payment transactions*

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except when the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter party renders the services.

## **2.13 Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing plans if contractually obliged or if there is a past practice that has created a constructive obligation.



## 2.14 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2.15 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, and is shown net of value-added tax, rebates and discounts and after eliminated sales within the Group. The Group's revenues primarily consist of sales of services, license and other revenues and subsidies. These revenues are recognized as follows:

### (a) *Service revenues*

Sales of services are recognized in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction when the outcome of a transaction can be estimated reliably. Each project is divided into subprojects and the stage of completion for each subproject is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### (b) *License and other revenues*

License and other revenues include amounts earned from third parties with licenses and/or options to the Group's intellectual property and for amounts received for the sale of part of the Group's intellectual property. License and other revenues are recognized when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. In situations where the Group has continuing performance obligations, revenues related to license fee payments are deferred and the related revenue is recognized in the period of expected performance.

### *Multiple element arrangements*

In certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

The Group offers arrangements whereby a customer obtains the right to use the Group's intellectual property and purchases research and development services under one arrangement. When such multiple element arrangements exist, an element is accounted for as a separable element if it has value to the customer on a stand-alone basis and the fair value can be determined objectively and reliably.

When license and other revenues and service revenues are identified as separable elements in a multiple element transaction, the license and other revenues recognized is determined based on the fair value of the right obtained by the customer in relation to the fair value of the

arrangement taken as a whole, and is recognized in accordance with the accounting policy for license and other revenues as discussed above. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement as a whole, is recognized over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

(c) *Income from subsidies*

The Group was granted certain subsidies, which support the Group's research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in the grants. Subsidies are recognized at their fair value when there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions.

The Group includes income from subsidies under 'income from subsidies' in the income statement in order to enable comparison of its income statement with companies in the life sciences sector. Companies in the life sciences sector generally present governmental subsidies as income, as these subsidies often are a significant source of income. Furthermore, research and development expenses would, generally, be incurred to the same amount if no governmental contributions would be granted.

The WBSO ('wet ter bevordering speur- en ontwikkelingswerk') is a fiscal facility that provides subsidies to companies, knowledge centres and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a portion of the labour costs of employees directly involved in research and development can be deducted from the regular payment of payroll taxes and social security contributions. Subsidies relating to labour costs (WBSO) are deferred and recognized in the income statement as negative labour costs over the period necessary to match them with the labour costs that they are intended to compensate.

## **2.16 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement as incurred.

## **3. Risk management**

### **3.1 Financial risk management**

The Group is exposed to a variety of financial risks, with the most important risks being: market risk (including foreign currency risk and credit risk) and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects of these financial risk factors on the Group's financial performance. For a discussion of the Company's risk management and system of internal controls, reference is also made to the 'Executive Board report' elsewhere in this document.

(a) *Foreign currency risk*

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies. The Company is not exposed to a significant foreign exchange risk. Substantially all customer invoices are sent and paid in Euro, only a minor part of the supplier invoices are in currencies other than the Euro (3.4% of the outstanding payables at

31 December 2011 consist of currencies other than the Euro) and there are no other significant transactions in currencies other than the Euro.

(b) *Credit risk*

Over the years, OctoPlus has established a loyal international client base with a high percentage of long-term clients, either outsourcing multiple projects at OctoPlus or returning to OctoPlus with their next project or development phase. The Company top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues, with the largest customer generating 23% of 2011 consolidated revenues.

The Group has a (pro)-active receivables collection policy in place. Through this policy, the Company assesses the creditworthiness of the potential customer prior to signing a contract and performing activities. The credit quality of each existing customer is also regularly re-assessed and collaterals from each customer are required before work will start on any new project, content of invoices is discussed and agreed with each customer upfront, invoices are sent on a monthly basis directly after the end of each month or during month as soon as certain milestones (as defined in a contract) are met, the customer is contacted when invoices are sent and finally, the customer is contacted when the end of the payment term for an invoice is approaching.

Through the combination of a loyal client base and the Company's receivables collection policy as outlined above, Management believes that the Company's credit risk is small.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the availability of contingency plans in case of significant downfalls to meet a company's obligations.

It is our strategy to generate sufficient cash from our operations to meet all our obligations. In the last few years, however, we witnessed a negative operating cash flow amounting to € 2.8 million (2009), € 3.0 million (2010) and € 3.7 million (2011). As a result, we relied on external funding through different equity fundraisings to continue operations.

OctoPlus is specialized in the controlled release, formulation and cGMP manufacture of injectable products. These services are provided on a fee-for-service basis. Contract periods vary from a number of months to a number of years, with often a significant part of the activities taking place in the first six months. Existing customers often return to OctoPlus for additional work on existing or new projects. Due to the nature of the contracts (including their duration), a significant part of the Company's budgeted revenues for a year is not contracted at the beginning of that year. This also applies to the year 2012. In case the Company is not able to sign new revenue generating deals in the remainder of 2012, its financial position will be harmed significantly. In addition, customers might decide to suspend or terminate the development activities OctoPlus conducts on their behalf. This can be on a relatively short notice and can also significantly harm the Company's financial position. However, the Company currently has a healthy order portfolio and a healthy acquisition funnel. As a result, the Company is positive towards meeting its targeted levels of revenues and cash.

Locteron successfully completed Phase IIb clinical development. Phase III has been prepared. When a commercial partner is found by Locteron's current owner Biolex, the Company believes that Biolex and its commercial partner will request OctoPlus to further develop the process and the analytics of the product and to manufacture Locteron as it has done before.

This is expected to generate significant revenues in the mid-term future and could also result in milestone and royalty payments in the medium or longer term. These revenues are currently not included in OctoPlus' revenue and cash flow forecast, however future developments with respect to Biolex might impact the valuation of the Company's receivables and financial fixed assets related to Biolex. See further also Note 8 and Note 11.

Per 31 December 2011 OctoPlus has € 1.6 million cash (Note 9) available and a € 1.3 million credit facility (Note 15) available. Besides these funds the Company has secured € 3.0 million additional financing in April 2012 (Note 30). The secured financing is partly dependent on approval of the AGM to issue new shares (€ 1.9 million).

These funds are currently sufficient but OctoPlus might need additional funding in the future if the Company's expectations are not completely realized. Several sources are available to raise additional working capital in the short and medium term future.

If management deems it to be necessary OctoPlus may raise capital by means of a capital markets transaction, such as non-dilutive (debt) financing, issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. share price) and availability of assets to secure debt transactions as well as approval of boards and/or shareholders.

Taking into account the Company's year-end cash position, the available credit line facility, the additional funding acquired in April 2012 (Note 30), other financing options available, the revenues contracted, the cost base, the Company's internal control environment and the available contingency plans, the Company has sufficient funds for a period of at least 12 months. Potential other projects, such as Locteron, might significantly improve the Company's cash position during the next 12 months.

#### *Maturity analysis for non-derivative financial instruments*

	<u>No later than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
At 31 December 2011				
Finance lease liabilities <sup>1</sup>	1,848	4,388	9,043	15,279
Trade and other liabilities <sup>2</sup>	5,984	-	-	5,984
	<u>7,832</u>	<u>4,388</u>	<u>9,043</u>	<u>21,263</u>

	<u>No later than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
At 31 December 2010				
Finance lease liabilities <sup>1</sup>	1,832	5,282	10,045	17,159
Trade and other liabilities <sup>2</sup>	5,489	-	-	5,489
	<u>7,321</u>	<u>5,282</u>	<u>10,045</u>	<u>22,648</u>

<sup>1</sup> Including interest. For more details, see Note 15.

<sup>2</sup> The contractual payments with regard to trade and other liabilities do not include deferred income (Note 16).

#### *(d) Other financial risks*

The Group is exposed to an equity securities price risk through its equity interest in Biolex (Note 8) and to a marginal interest rate risk through its current credit line facility. The Group is not exposed to commodity price risk but does have a marginal fair-value risk.

### **3.2 Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern. The Group does not have a targeted debt-to-equity ratio but equity needs to be at least 25% of the balance sheet total (adjusted for certain items) at each reporting date to comply with the covenants of its current credit line facility with ABN Amro (Note 15).

Under the Group's strategy, the Group strives for a cash-balanced business in the medium term. Any cash requirements the Group might have will be funded through equity or loan agreements.

The capital structure of the Group consists of financial liabilities (as detailed in Note 15), cash and cash equivalents, net of bank overdrafts (as detailed in Note 9) and equity, comprising issued capital, reserves and retained earnings (as detailed in Note 12).

### **4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below.

#### **(a) *Impairment test of goodwill and patents***

Goodwill and patents not yet available for their intended use are not amortized but are subject to an annual impairment test or more frequent testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For all patents used, we assess at each reporting date whether there is any indication that (a group of) patents may be impaired. If any such indication exists, we estimate the recoverable amount of that (group of) patent. For the purpose of the impairment testing, goodwill and patents are allocated to cash-generating units. The recoverable amount of the applicable cash-generating unit is determined based on value-in-use calculations by using the discounted cash flow model.

In the years presented, all goodwill recognized relates to the acquisition of Chienna B.V. in the year 2003 and substantially all of the patents relate to the PolyActive drug delivery technology as acquired in two stages; (i) as part of the acquisition of Chienna B.V. in 2003 and (ii) as acquired from IsoTis Inc. in April 2007. This technology is used for Locteron, ESBATech and other projects.

The Company operates as one reportable segment and all goodwill and patents are assigned to the 2003 business acquisition that led to the recognition of the goodwill and patents.

In performing impairment testing of goodwill and patents, Management must make significant judgements and estimates to determine whether the cash flows generated by the cash-generating unit that the assets belong to are less than the unit's carrying value. The data necessary for performing the impairment tests are based on Management's estimates of future cash flows. Determining cash flows requires the use of judgements and estimates that have been included in the Group's strategic plans and long-term forecasts. Expected cash flows from all signed agreements and prospects are discounted against the weighted average cost of capital ("WACC"). The Company's WACC per 31 December 2011 requires significant

judgement. Management evaluated the WACC using different approaches and estimated that the WACC ranges between 10% and 15% (pre-tax). The impairment analysis in respect of the intangible assets has been performed using different WACC percentages within this range.

No impairment losses have been recognized in 2011 (Note 6).

(b) *Impairment test of financial assets*

The financial asset carried at cost relates to an equity interest in Biolex (Note 8). The Group assesses at each balance sheet date whether there is any objective evidence that this financial asset is impaired. Signs of impairment for this equity interest that were considered are (i) significant financial difficulty of the issuer, (ii) a breach of contract, (iii) it becoming probable that the borrower will enter into bankruptcy or another financial reorganisation, and (iv) observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition of those assets.

Based upon this assessment, the Group concluded that there is no objective evidence for impairment (Note 8).

(c) *Impairment test of tangible fixed assets*

The Company's tangible fixed assets consist of property, plant and equipment and are explained in Note 7. All tangible fixed assets are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment includes both (i) internal sources of information, such as a significant and unexpected decline in market value of an asset, significant changes with an adverse effect in the technological, market, economic or legal environment in which the entity operates or the market to which the asset is dedicated and an increase in market interest rates used to discount future cash flows and (ii) external sources of information, such as evidence of obsolescence or physical damage of an asset, significant changes with an adverse effect of how an asset is used or is expected to be used and evidence of decreased performance of an asset.

(d) *Corporate income taxes*

The Group, which has a recent history of tax losses, recognises deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by that fiscal unity. Management's judgement is that such convincing evidence is currently not sufficiently available and a deferred tax asset is therefore only recognized to the extent that a fiscal unity has sufficient taxable temporary differences.

(e) *Share-based payments*

Share options granted are measured at the fair value of the equity instruments granted at grant date (indirect method of measurement). Fair value is determined through the use of an option-pricing model considering, the following variables:

- a The exercise price of the option;
- b The expected life of the option;
- c The current value of the underlying shares;
- d The expected volatility of the share price, calculated considering the effect of dividends on stock price;

- e The dividends expected on the shares; and
- f The risk-free interest rate for the life of the option.

Conditional option grants might include market conditions. These market conditions are included in the calculation of the fair value of the option.

For the Company's share option plans, Management's judgement is that the Binomial method is most appropriate for determining fair values as this method allows accounting for non-transferability, vesting conditions and early exercise.

For options granted before 30 June 2007, published OctoPlus share price information was only available for a short period of time, as the Company became publicly listed on 4 October 2006. The expected volatility of all options granted before that date is therefore still based on the average historical volatility of the peers over a period that agrees with the period of maturity. For all options granted after 30 June 2007, published OctoPlus share price information is available for a longer period of time and the expected volatility of the options granted after that date is therefore based on the average historical volatility of the OctoPlus share over a period of time.

All assumptions and estimates of both the conditional and unconditional option grants are further discussed in Note 6 and Note 12 to the consolidated financial statements.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even though Management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive at a different fair value for each of the Company's share option plans.

*(f) Claims*

Third parties might claim amounts from the Group. These claims are considered by Management on a case by case basis, taking legal advice insofar required. When Management judges that there is a present obligation as a result of a past event, an outflow of resources is probable and a reliable estimate of the obligation can be made, a provision is recorded. A contingent liability is recorded in case of a possible future obligation, as long as this possible future obligation is not remote. Possible future obligations that are remote are not disclosed.

**5. Segment information**

*(a) Operating segments*

OctoPlus operates in one reportable segment named 'formulation, drug delivery and manufacturing activities', which consists of contract formulation development and manufacturing on the basis of either expertise and know-how or its proprietary drug delivery platform. The activities are performed by the same people and as a result decisions are made by the Executive Board (who is identified as the 'chief operating decision maker') on a consolidated basis and discrete and valuable financial information per activity can not be made available.

*(b) Geographical information*

Since our establishment in 1995, we have provided services to a diverse and international group of more than 170 pharmaceutical and biotechnology companies on a fee-for-service basis. Currently, our active customer base comprises around 40 clients, which are located

worldwide and include small, medium and large biotechnology as well as pharmaceutical companies. The allocation of revenues to geographical areas is shown below:

Revenues	<u>2011</u>	<u>2010</u>
European Union	2,686	3,859
North-America	1,873	2,283
Other countries	3,143	2,187
	<u>7,702</u>	<u>8,329</u>

Contracts with our customers vary in size and duration. Historically, revenues generated from individual contracts have been in the range of € 25 to € 1,500. The duration of a project varies between a few months to several years. The revenues generated from each customer can vary significantly from year-to-year depending on whether development of a product progresses successfully and the stage of development of the product. As an example, we might need to develop a formulation and prepare animal trial material in year 1, do not need to perform substantial activities in year 2, but need to scale up the process and manufacture a batch of final product in year 3 for the customer's clinical study. As a result the composition of revenues varies from year to year and as a result the revenues from each geographical area may be significantly different each year.

Revenues from the European Union decreased from € 3,859 in 2010 to € 2,686 in 2011 as a number of projects that had a significant contribution to 2010 revenues ended in 2010 or early 2011. Revenues from other countries increased from € 2,187 in 2010 to € 3,143 in 2011 mainly as a result of higher revenues in 2011 from a Switzerland-based pharmaceutical company.

*(c) Major customers*

The Company's top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues (2010, 45%). Two customers contributed more than 10% to the Company's consolidated 2011 revenues (2010, 2 companies). A Switzerland-based pharmaceutical company was the Company's largest customer in 2011 and contributed 23% to the Company's consolidated revenues.



## 6. Intangible assets

	Goodwill	Patents	Other intangible assets	Total
<b>At 1 January 2010</b>				
Cost	243	2,467	519	3,229
Accumulated amortization	-	(365)	(490)	(855)
Net book value	243	2,102	29	2,374
<b>Year ended 31 December 2010</b>				
Opening net book value	243	2,102	29	2,374
Additions	-	-	-	-
Amortization charge	-	(291)	(24)	(315)
Closing net book value	243	1,811	5	2,059
<b>At 31 December 2010</b>				
Cost	243	2,467	519	3,229
Accumulated amortization	-	(656)	(514)	(1,170)
Net book value	243	1,811	5	2,059
<b>Year ended 31 December 2011</b>				
Opening net book value	243	1,811	5	2,059
Additions	-	-	88	88
Amortization charge	-	(292)	(15)	(307)
Closing net book value	243	1,519	78	1,840
<b>At 31 December 2011</b>				
Cost	243	2,467	607	3,317
Accumulated amortization	-	(948)	(529)	(1,477)
Net book value	243	1,519	78	1,840

### 6.1 Patents and goodwill

At 31 December 2011, OctoPlus has capitalized € 243 of goodwill and € 1,519 of patents. The goodwill and the patents relate to:

- The acquisition of Chienna B.V. in 2003. As part of this acquisition, the Group acquired patents related to the PolyActive technology which were valued at € 1,167 and recorded € 243 of goodwill. In addition, the Group acquired the full rights to the PolyActive technology and its intellectual property in certain strategic areas from IsoTis Inc., in April 2007 for € 1,250 (€ 1,519 net book value of patents at 31 December 2011).
- The acquisition of the worldwide rights to sublicense, develop, manufacture, market, distribute and sell OP-145, a novel therapy for the treatment of chronic middle ear infection (otitis media) from Leiden University Medical Centre in 2003 for a total amount of € 50 (€ 50 net book value of patents at 31 December 2011).

PolyActive is the drug delivery system used in Locteron and most of the Company's feasibility studies.

In October 2008, the Group sold its share of the commercial rights to its lead-product Locteron to former co-development partner Biolex and received a US \$ 11 million upfront payment. As part of the agreement, OctoPlus is, among others, eligible to additional US dollar milestone payments up to US \$ 138 million and royalty payments on future sales of Locteron. In addition, contracts were signed with Biolex for the further development and manufacturing of Locteron, which had a significant impact on the Group's financial results in the years 2008 and 2009 and which might have a significant impact on the Group's future financial results as well. Biolex successfully completed a clinical Phase IIb study with Locteron and presented favorable final results of this study in April 2011.

In February 2011, our evaluation study for ESBATech, an Alcon/Novartis company, progressed into a full development agreement. This project combines ESBATech's active ingredient with PolyActive and is progressing as planned.

There are other feasibility projects to develop controlled release formulations for biotech and pharmaceutical companies using PolyActive ongoing at this moment.

The Group has started amortizing the PolyActive patents from October 2008 onwards over the remaining life of the patents, which is between five and seven years at 31 December 2011.

OP-145 is the Company's product for middle ear infection. We successfully completed a Phase II clinical study with OP-145 in 2008. This study demonstrated the efficacy of OP-145. As the OP-145 assets are not ready for their intended use, amortization on these patents has not started yet.

### ***Impairment test of goodwill and patents***

#### ***a. Impairment test of goodwill***

The Company has performed an impairment test for the goodwill (net book value € 243) by comparing the carrying amounts with the recoverable amounts for a period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual situation. Based upon these impairment tests, the Company concluded that goodwill was not impaired. Key elements for the impairment assessment were:

- Currently contracted revenues (net of incremental costs) from projects that use the PolyActive technology;
- Probability adjusted net license revenues and net royalty payments from Biolex;
- Estimated additional revenues (net of incremental costs) from signed projects that use the PolyActive technology;
- Estimated future revenues (net of incremental costs) from unsigned projects that use the PolyActive technology.

#### ***b. Impairment test of patents used related to the PolyActive technology***

The Company reviewed all patents used related to the PolyActive technology (net book value € 1,469) by comparing the carrying amounts with the recoverable amounts for a period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual

situation. The impairment test has been performed based on the value in use method and the discount rate used was 15%. To perform the impairment assessment in a prudent manner, no growth rate was used to estimate future revenues. Based upon these impairment tests, the Company concluded that the patents were not impaired. Key elements for the impairment assessment were:

- Currently contracted revenues (net of incremental costs) from projects that use the PolyActive technology;
- Estimated additional revenues (net of incremental costs) from signed projects that use the PolyActive technology;
- Estimated future revenues (net of incremental costs) from unsigned projects that use the PolyActive technology.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

*c. Impairment test of patents not ready for their intended use related to OP-145*

The Company has performed an impairment test for the patents related to the worldwide rights to sublicense, develop, manufacture, market, distribute and sell OP-145 (net book value € 50) by comparing the carrying amount with the recoverable amount for the period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual situation. The impairment test has been performed based on the value in use method and the discount rate used was 15%. To perform the impairment assessment in a prudent manner, no growth rate was used to estimate future revenues. Based upon this impairment test, the Company concluded that the patents were not impaired. Key elements for assessing impairment are:

- We have reached agreement with partners who would like to further develop OP-145 for different indications. As a result, OctoPlus might be eligible to a license fee and future royalties and might also be engaged in the further development of the product on a fee for service basis.

## **6.2 Other intangible assets**

Other intangible assets consist of acquired software, which is amortized over its estimated useful life.

In September 2011, the Group signed an agreement with De Lage Landen Vendorlease B.V. for the lease of certain office software. This software represents a value of € 72 and is leased for a period of three years. At the end of the three year lease term, ownership will automatically transfer to the Group. The software is classified as a finance lease.

### **Finance leases and securities**

Intangible assets included capitalized finance leases with an historical cost of € 72 (2010, € 0) and an accumulated amortization of € 8 at 31 December 2011 (2010, € 0).

## 7. Property, plant and equipment

	Buildings	Machines & installations	Other equipment	Total
<b>At 1 January 2010</b>				
Cost	8,579	17,037	2,297	27,913
Accumulated depreciation	(1,246)	(6,233)	(1,981)	(9,460)
Net book value	7,333	10,804	316	18,453
<b>Year ended 31 December 2010</b>				
Opening net book amount	7,333	10,804	316	18,453
Additions	-	45	9	54
Depreciation charge	(430)	(1,566)	(126)	(2,122)
Impairment losses	-	(337)	-	(337)
Closing net book amount	6,903	8,946	199	16,048
<b>At 31 December 2010</b>				
Cost	8,579	17,082	2,306	27,967
Accumulated depreciation	(1,676)	(8,136)	(2,107)	(11,919)
Net book value	6,903	8,946	199	16,048
<b>Year ended 31 December 2011</b>				
Opening net book amount	6,903	8,946	199	16,048
Additions	-	74	45	119
Depreciation charge	(428)	(1,320)	(94)	(1,842)
Disposals	-	-	(7)	(7)
Closing net book amount	6,475	7,700	143	14,318
<b>At 31 December 2011</b>				
Cost	8,579	17,156	2,322	28,057
Accumulated depreciation	(2,104)	(9,456)	(2,179)	(13,739)
Net book value	6,475	7,700	143	14,318

The buildings as shown in the table above relate to the Group's office, laboratory and manufacturing facilities located in Leiden, the Netherlands, which are both leased for a period of 20 years. The initial facilities ('building A') were sold to a third party in 2004 and leased back for a period ending in 2024, with OctoPlus having the option to extend the lease for an additional five year period at the end of each lease term. In 2008, construction was finalized

for the facilities built adjacent to the existing facilities ('building B'). Building B was leased by the Group for a period ending in 2028, with OctoPlus having the option to extend the lease for an additional five year period at the end of each lease term. As substantially all of the risks and rewards incidental to ownership have been transferred to the Group, both buildings are classified as a finance lease. The land portion of the lease is classified as an operating lease. Bank guarantees, equal to three months of rent are provided to the landlord as security (Note 27).

The machines and installations as shown in the table above relate to the Group's cGMP manufacturing facilities, the equipment used in these facilities and the equipment used in the Group's laboratory facilities. In December 2008, a significant part of the equipment used in the manufacturing facilities in building B was sold to ABN Amro Lease N.V. ('ABN Amro Lease', formerly known as Amstel Lease Maatschappij N.V.) for an amount of € 3,678 and leased back for a period of five years. At the end of the five year lease term, this equipment can be purchased from ABN Amro Lease for € 4. As substantially all of the risks and rewards incidental to ownership have been transferred to the Group, the equipment is classified as a finance lease.

### Finance leases and securities

Property, plant and equipment included the following amounts where the Group is a lessee under finance leases:

<b>Buildings</b>	<b>2011</b>	<b>2010</b>
Cost capitalized finance leases	8,825	8,825
Accumulated depreciation	(2,104)	(1,676)
Net book amount	<u>6,721</u>	<u>7,149</u>
<b>Machines and installations</b>	<b>2011</b>	<b>2010</b>
Cost capitalized finance leases	3,678	3,678
Accumulated depreciation	(1,098)	(727)
Net book amount	<u>2,580</u>	<u>2,951</u>
<b>Other equipment</b>	<b>2011</b>	<b>2010</b>
Cost capitalized finance leases	125	137
Accumulated depreciation	(99)	(75)
Net book amount	<u>26</u>	<u>62</u>
<b>Total</b>	<b>2011</b>	<b>2010</b>
Cost capitalized finance leases	12,628	12,640
Accumulated depreciation	(3,301)	(2,478)
Net book amount	<u>9,327</u>	<u>10,162</u>

Finance lease liabilities are secured on the assets held under these finance leases as the rights to the leased assets revert to the lessor in the event of default.

No interest costs were capitalized related to the investments in property, plant and equipment.

## Impairment test of property, plant and equipment

Assets subject to amortization or depreciation are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In 2009, the Company's manufacturing facilities in building B became available. These facilities offered sufficient capacity for the manufacturing of all 2010 batches. In 2010, it was anticipated that these facilities would give sufficient capacity for the batches to be manufactured in the next few years. As a result, the Company decided to close the manufacturing facilities in building A and to use the facilities for other purposes. This is an indication for impairment. Impairment assessments were performed for both building A and the cleanroom, which is the cGMP facility in which manufacturing takes place, in building A. It was concluded that (i) the recoverable amount of building A exceeded its carrying amount and (ii) no income was expected from the clean room in building A. As a result, (i) no impairment charges were recorded in 2010 for building A and (ii) the clean room in building A was fully impaired and an impairment loss of € 337 was recorded under 'depreciation and amortization' in the consolidated statement of comprehensive income in 2010.

The Company's manufacturing facilities in building B offered sufficient capacity to manufacture all 2011 batches and as a result the manufacturing facilities in building A were not used to manufacture batches in 2011. As building A was not used to manufacture batches in 2011 and there is uncertainty whether it will be used to manufacture batches in the years to come, the Company concluded that the impairment of the clean room in building A was not reversed in 2011. A significant part of building A is not used, which is an indication for impairment. The Company performed an impairment test by comparing the carrying amount of building A with its recoverable amount. Based upon this impairment test, the Company concluded that building A was not impaired. Key elements for the impairment assessment were:

- create additional specific laboratory facilities in building A;
- the possibilities to sublease (parts of) the building.

Building B, the manufacturing and laboratory facilities in building B and the equipment located in building B are the Company's remaining items of property, plant and equipment. The Company reviewed these assets to assess whether there is any indication for impairment. As all OctoPlus' staff is located in building B and all facilities and equipment located in these facilities are used and generate the Company's revenues, we concluded that there is no indication for impairment.

### 8. Financial assets carried at cost

	2011	2010
Financial assets carried at cost	1,299	1,299

In October 2008, the Group signed a product rights acquisition agreement to sell its share of the commercial rights to its lead-product Locteron to Biorex. Part of the consideration received by the Group, was an equity interest in Biorex. The assets were initially valued at fair value by using the same price per share as paid for by other investors in Biorex in October 2008, resulting in a value of € 1,299 (2010, € 1,299).

At each balance sheet date the Group assesses whether there is any objective evidence of impairment. As Biorex shares are not traded on an active market, a quoted market price is not

available. As a result, the shares are subsequently valued at cost. Based upon Management's assessment, the fair value at cost of the Biolex shares is equal to or higher than its current book value and, as a result, there is no objective evidence of impairment and no impairment losses have been recognized by the Company on the equity interest in Biolex.

Currently, the Group does not intend to sell its equity interest in Biolex in the near future.

#### 9. Cash, cash equivalents and bank overdrafts

	<b>2011</b>	<b>2010</b>
Gross cash and cash equivalents	1,603	2,713
Bank overdrafts	-	(6)
Net cash and cash equivalents	<u>1,603</u>	<u>2,707</u>

For more details on bank overdrafts, see Note 15.

#### 10. Inventories

	<b>2011</b>	<b>2010</b>
Inventory raw materials	<u>388</u>	<u>307</u>

The inventory raw materials increased as a result of the purchase of a batch of PolyActive (minimum batch size).

#### 11. Trade and other receivables

	<b>2011</b>	<b>2010</b>
Trade receivables	2,369	1,789
Allowance for doubtful accounts	(12)	(54)
Trade receivables – net	<u>2,357</u>	<u>1,735</u>

Customer invoices for services provided by the Group are generally sent out at or around the end of each month. The average credit period provided to customers is 30 days. In general, interest is not charged on trade receivables. The Group has a proactive receivables collection policy in place to ensure that contracts are only signed with customers with a healthy balance sheet. The credit quality of each existing customer is also regularly re-assessed and collaterals from each customer are required before work will start on any new project.

Trade receivables increased with 36% from € 1,735 per 31 December 2010 to € 2,357 per 31 December 2011. The Company invoiced significant upfront payments in December 2011. As a result, the total value of the invoices sent in December 2011 was significantly higher than the total value of the invoices sent in December 2010. The trade receivables balance was also significantly higher as a consequence.

<b>Movement in the allowance for doubtful accounts</b>	<b>2011</b>	<b>2010</b>
Balance at the beginning of the year	54	56
Impairment losses recognized on receivables	(42)	(2)
Balance at the end of the year	<u>12</u>	<u>54</u>

Additions to and releases from the allowance for doubtful accounts are included in 'other costs' in the statement of comprehensive income.

Included in the Group's trade receivable balance are debtors with a carrying amount of € 1,104 (2010, € 973) that are past due at the reporting date for which the Group has not made a provision. At 31 December 2011, collaterals from customers totalling € 1,568 (2010, € 1,889) have been received, thereby reducing any potential risk of any impairment of trade receivables.

<b>Ageing of past due not impaired</b>	<b>2011</b>	<b>2010</b>
1-30 days	494	596
31-60 days	98	38
Over 60 days	512	339
Total overdue	<u>1,104</u>	<u>973</u>

31% of the total trade receivables at 31 December 2011 related to a US-based customer (2010, 16%). A portion of the invoices outstanding at 31 December 2011 for this customer was more than 60 days overdue. The credit risk for the Company is perceived to be high. There is a concentration of risk as we also own shares in the same company. The total exposure amounts to € 2 million. There are three other customers that represent more than 10% of the total balance of trade receivables at year-end 2011. None of the invoices outstanding for either one of these customers is more than 30 days overdue at 31 December 2011 and none of these invoices is outstanding as of today.

	<b>2011</b>	<b>2010</b>
VAT to be received	161	208
Social securities and other taxes	<u>161</u>	<u>208</u>

	<b>2011</b>	<b>2010</b>
Prepaid expenses	603	610
Accrued income	89	226
Other amounts to be received	195	142
Other receivables, prepayments and accrued income	<u>887</u>	<u>978</u>

Accrued income in 2010 is including € 72 related to subsidies.

## 12. Shareholders' equity

### Share capital & share premium reserve

	<b>Number of issued ordinary shares</b>	<b>Share capital (€ x 1,000)</b>
At 1 January 2010	33,435,432	4,012
New shares issued	<u>3,343,542</u>	<u>401</u>
At 31 December 2010	36,778,974	4,413
New shares issued	<u>8,000,000</u>	<u>960</u>
At 31 December 2011	<u>44,778,974</u>	<u>5,373</u>



### *Authorized share capital*

As of 1 January 2010, the Company had an authorized share capital of € 9,600, divided into 40,000,000 ordinary shares with a nominal value of € 0.12 per share and 40,000,000 preference shares with a nominal value of € 0.12 per share. On 20 May 2011, our shareholders approved the conversion of all preference shares into ordinary shares at our AGM. As a result, our authorized capital currently amounts to € 9,600 and consists of 80,000,000 ordinary shares, all with a nominal value of € 0.12.

Stichting Continuïteit OctoPlus, an entity incorporated in 2007 with the purposes to safeguard OctoPlus' interests and those of OctoPlus' enterprise and to protect, insofar as possible, the Company's continuity, the Company's independence and the Company's corporate identity, was liquidated in May 2010.

### *Ordinary shares issued and outstanding*

At 1 January 2010, 33,435,432 ordinary shares were issued and outstanding. On 23 December 2010, OctoPlus issued 3,343,542 ordinary shares at a price of € 1.18 per share pursuant to a private placement and raised € 3.9 million in gross proceeds and € 3.6 million in net proceeds. As a result, 36,778,974 ordinary shares were issued and outstanding at 31 December 2010, representing a share capital of € 4,413. Mr. Egberts, the Company's Chief Executive Officer (CEO) from 1 January 2011 onwards, participated in this financing round and acquired 127,119 shares at identical conditions as the other participants.

On 31 October 2011, OctoPlus issued 8,000,000 ordinary shares at a price of € 0.50 per share pursuant to a private placement and raised € 4.0 million in gross proceeds and € 3.6 million in net proceeds.

No shares are held as treasury shares at 31 December 2010 and 2011. As a result 44,778,974 ordinary shares were issued and outstanding at 31 December 2011, representing a share capital of € 5,373. Mr. Egberts, the Company's CEO, participated in this financing round and acquired 300,000 shares at identical conditions as the other participants. No shares are held as treasury shares at 31 December 2010 and 2011.

### **Other reserves**

The costs of share options to employees (including the Executive Board) are recognized in the income statement, together with a corresponding increase in equity during the vesting period, taking into account (deferral of) corporate income taxes. The accumulated expense of share options recognized in the income statement is shown separately in the equity category 'other reserves' in the 'consolidated statement of changes in equity'.

Pursuant to the options being exercised, lapsed or forfeited, 'other reserves' is reversed with a corresponding entry to 'accumulated deficit'.

In the years presented in these financial statements, the Company did not have any legal or other types of reserves.

### **Share options**

#### ***Option pool***

The Group operates an equity-settled share-based compensation plan. The option pool is maximized at 7.5% of the issued and outstanding share capital, as reconfirmed by the

Shareholders and the Supervisory Board on 12 May 2010 and amounted to 3,358,423 options (7.5% of 44,778,974 issued and outstanding ordinary shares) at 31 December 2011. The option pool was temporarily increased with 1,215,500 conditional options that were granted to Mr. Sturge, our former CEO, on 6 November 2008. With Mr. Sturge's resignation on 31 December 2010, the option pool is maximized at 7.5% of the issued and outstanding share capital again. Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

### **Overview options issued and outstanding**

Out of the total option pool, the number of granted stock options issued and outstanding is 2,007,674 per 31 December 2011 (2010, 2,085,089 options issued and outstanding) of which 200,000 options have been granted to Theratechnologies on 26 September 2007 (Note 6). All other options have been granted to employees and former employees of the Group.

Movements in the number of unconditional options outstanding are as follows:

	2011				2010			
	Lowest exercise price in € per share	Highest exercise price in € per share	Average exercise price in € per share	Number of options	Lowest exercise price in € per share	Highest exercise price in € per share	Average exercise price in € per share	Number of options
At 1 January	1.41	4.55	1.87	2,085,089	2.70	4.55	3.39	596,533
Granted	1.27	1.41	1.28	207,154	1.27	1.41	1.35	1,853,290
Forfeited	1.41	4.55	1.62	(103,400)	1.41	4.55	1.52	(317,740)
Exercised	-	-	-	-	-	-	-	-
Lapsed	2.70	4.55	3.12	(181,169)	2.70	2.70	2.70	(46,994)
<b>At 31 December</b>	<b>1.27</b>	<b>3.95</b>	<b>1.71</b>	<b>2,007,674</b>	<b>1.27</b>	<b>4.55</b>	<b>1.87</b>	<b>2,085,089</b>

The start of the exercise period for the unconditional share options outstanding at the end of the year and exercise prices:

Start exercise period	Share options	Exercise price in € per share	Share options	Exercise price in € per share
	2011	2011	2010	2010
Exercisable	350,370	3.57	538,539	3.43
2013	1,635,038	1.32	1,546,550	1.33
2014	22,266	1.41	-	-
	<u>2,007,674</u>		<u>2,085,089</u>	

Unconditional share options outstanding at the end of the year have the following expiry years and exercise prices:

Expiry year	Share options	Exercise price in € per share	Share options	Exercise price in € per share
	2011	2011	2010	2010
2011	-	-	188,169	3.17
2014	416,520	2.00	512,920	1.89
2015	1,368,888	1.30	1,184,000	1.31
2016	22,266	1.41	-	-
2017	200,000	3.95	200,000	3.95
	<u>2,007,674</u>		<u>2,085,089</u>	

Total option expense for the Company's equity-settled share-based compensation plans recorded in 2011 amounted to € 289 (2010, € 157), of which € 229 (2010, € 76) related to

options granted to members of the Executive Board (including the options granted to Mr. Egberts).

### **Options issued before 2011**

The number of granted stock options issued and outstanding that were granted before 1 January 2011 is 1,800,520 per 31 December 2011 (2010, 2,085,089 options issued and outstanding).

All unconditional options granted to employees until 31 December 2009 are subject to the employee completing a pre-defined number of years of service ('the vesting period'). Each instalment of the Company's graded vesting scheme is treated as a separate share option grant. Consequently, the vesting periods for the individual instalments of the Company's graded vesting awards are between zero and four years for all options granted to employees. All unconditional options granted until 31 December 2009 are exercisable from the grant date onwards. Employees that have exercised options and leave the Company during the vesting period are generally obliged to repay part of the proceeds ('the award') received. The exercise price of all granted options is equal to or higher than the market price of the shares on the date of the grant.

On 12 May 2010, a revised option plan was approved by the Shareholders and the Supervisory Board. The revised plan is applicable for all options granted from 1 January 2010 onwards. Under the plan, each unconditional option has a vesting period of three years during which no options can be exercised followed by an exercise period of two years. Option rights automatically forfeit when an employee leaves the Company. Repayment of part of the award is no longer required. The exercise price of all granted options is equal to or higher than the market price of the shares on the date of the (conditional) grant.

During 2010, options were granted to a large number of OctoPlus employees in Q1 2010 and to Mr. Egberts at the date of his appointment (1 December 2010). These option grants are discussed separately below.

### **Q1 2010 option grants**

In February and March 2010, the Company granted both unconditional options and conditional options to its personnel under the '2010 option plan'. All conditional options were granted to members of the Executive Board. The number of unconditional options each member of the Executive Board will receive from the conditional options granted depends on certain pre-defined performance criteria for each person in the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years. The pre-defined performance criteria might include market conditions. Any conditional options not granted based upon the 2010, 2011 and 2012 performance may be granted in 2013 when certain pre-defined performance criteria related to the 2013 performance of each of the Executive Board members are met. On 25 February 2012, Mr. Moolhuizen and Mrs. Swarte received 22,266 unconditional options in total from the 111,334 conditional options granted for their 2010 performance. As per the option plan, the conditional options not granted moved to 2013.

All options granted are valued using the Binomial method. The exercise price of each unconditional option under the 2010 option plan is equal to the OctoPlus closing share price of the preceding year. As a result, the exercise price of all unconditional options granted and the exercise price of the 2010 conditional options is equal to the OctoPlus 2009 closing share price of € 1.41 per OctoPlus share, the exercise price for the 2011 conditional options is equal to the OctoPlus 2010 closing share price of € 1.27 per OctoPlus share, the exercise price for

the 2012 conditional options is equal to the OctoPlus 2011 closing share price of € 0.46 per OctoPlus share and the exercise price for the 2013 conditional options will be determined at the end of the years 2012. Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 until the date of grant.

	<b>2010 unconditional options</b>	<b>2010 conditiona l options</b>	<b>2011 conditiona l options</b>	<b>2012 conditiona l options</b>	<b>2013 conditional options</b>
Annual risk-free interest rate	2.46%	2.72%	2.94%	3.13%	3.28%
Volatility	53%	53%	53%	53%	53%
Expected dividend yields	None	None	None	None	None

All options under the 2010 option plan vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted under the 2010 option plan is € 0.69 per option.

### **December 2010 option grants to Mr. Egberts**

On 1 December 2010, the Company granted unconditional and conditional options to the Company's CEO, Mr. Egberts, who formally started working for OctoPlus on 1 January 2011.

The number of unconditional options Mr. Egberts will receive from the conditional options granted depends on certain pre-defined performance criteria in the years 2011, 2012, and 2013 with 1/3 of the conditional options related to each of the three years. The pre-defined performance criteria might include market conditions.

All options granted are valued using the Binomial method. The exercise price of the unconditional options granted is € 1.27, which is equal to the OctoPlus closing share price on 1 December 2010. The exercise price of each conditional option is equal to the OctoPlus 2010 closing share price of € 1.27. Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 until the date of grant.

	<b>2010 unconditional options</b>	<b>2011 conditional options</b>	<b>2012 conditional options</b>	<b>2013 conditional options</b>
Annual risk-free interest rate	2.31%	2.58%	2.72%	2.89%
Volatility	50%	50%	50%	50%
Expected dividend yields	None	None	None	None

The option contract contains an anti-dilution clause. The contract stipulates that for each follow-on financing round after the December 2010 financing round Mr. Egberts will receive additional options so that the potential pro rata participation in OctoPlus of Mr. Egberts remains unchanged. In case of a merger or an acquisition, all options granted and all options conditional on Mr. Egberts' performance in the year of the merger or acquisition will immediately vest.

All options granted to Mr. Egberts vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted under the plan is € 0.58 per option.

### **Options issued in 2011**

The number of granted stock options issued and outstanding that were granted in 2011 is 184,888 per 31 December 2011 and all relate to the anti-dilution clause in Mr. Egberts' option contract (see above).

As per the anti-dilution clause, Mr. Egberts received 184,888 unconditional options and 65,255 conditional options after the private placement of 31 October 2011 with an exercise price of € 1.27 per unconditional option. The options were received under identical conditions as the options initially granted in 2010. The vesting period for the unconditional options granted has been reduced to two years so that the end of the vesting period of the unconditional anti-dilution options is aligned with the end of the vesting period of the unconditional options initially granted to Mr. Egberts in December 2010.

Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period between 2007 until the date of grant.

	<b>2011 unconditional options</b>	<b>2011 conditional options</b>	<b>2012 conditional options</b>	<b>2013 conditional options</b>
Annual risk-free interest rate	1.81%	2.04%	2.25%	2.42%
Volatility	55%	51%	51%	51%
Expected dividend yields	None	None	None	None

The unconditional options granted to Mr. Egberts in 2011 vest after two years. All conditional options granted to Mr. Egberts in 2011 vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted in 2011 is € 0.06 per option.

On 25 February 2011, Mr. Moolhuizen and Mrs. Swarte received 22,266 unconditional options in total from the 111,334 conditional options granted for their 2010 performance. As per the option plan, the conditional options not granted move to 2013.

### **Options issued in 2012**

Based upon the achievement of Mr Egberts' 2011 performance criteria, 121,752 conditional options were unconditionally granted to Mr. Egberts on 21 February 2012.

Based upon the achievement of Mrs. Swarte's 2011 performance criteria, 27,834 unconditional options were unconditionally granted to Mrs. Swarte on 21 February 2012. As per the option plan, the 27,833 conditional options not granted move to 2013.

Based upon the achievement of Mr. Moolhuizen's 2011 performance criteria, 16,700 unconditional options were unconditionally granted to Mr. Moolhuizen on 21 February 2012. As per the option plan, the 38,967 conditional options not granted move to 2013.

### **2007 option grant to Theratechnologies**

The 200,000 options granted to Theratechnologies in September 2007 are valued using the Binomial method. The significant inputs into the model for these options were an exercise price of € 3.95 per share at the grant date, an annual risk-free interest rate of 4.49%, volatility of 45% and no expected dividend yields. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 up to 26 September 2007. All options granted to Theratechnologies immediately vest and have an exercise period of the earlier of (1) the tenth anniversary of the date of the agreement and (2) the fifth anniversary of the date of termination of the agreement.

### **13. Corporate income taxes**

OctoPlus N.V. is a fiscal unity for Dutch corporate income tax purposes with OctoShare B.V., OctoPlus Development B.V., OctoPlus Technologies B.V., OctoPlus Sciences B.V., Chienna B.V. and OctoPlus PolyActive Sciences B.V., all 100% subsidiaries of OctoPlus N.V. All members of the fiscal unity are severally liable for any corporate income tax due for the period they are part of this fiscal unity.

Deferred corporate income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred corporate income taxes relate to the same fiscal authority.

Deferred corporate income tax assets and liabilities are measured at the (substantially) enacted tax rates that are expected to apply to the period when the asset is realized or the liability is settled. For the Group's deferred corporate income tax assets and liabilities at 31 December 2011, this resulted in a corporate income tax rate of 25.0% (31 December 2010, 25.0%) used to calculate the deferred corporate income tax assets and liabilities for the fiscal unity headed by OctoPlus N.V.

Over the last few years, the Group has shown a net loss, with in general deferred corporate income tax assets, caused by these net losses, well exceeding any (potential) deferred corporate income tax liabilities. The Group only recognises deferred corporate income tax assets when there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the relevant fiscal unity. Management's judgement is that such convincing evidence was not sufficiently available in 2010 and 2011. As a consequence of the above, the Company did not record any deferred corporate income tax assets or liabilities and did not record a corporate income tax expense or income in the years presented.

### **Tax losses**

As of 1 January 2007, the Corporate Income Tax Act 2007 became effective. As from this date onwards, tax loss carry-forward in the Netherlands is subject to a time limitation of 9 years. The Corporate Income Tax Act 2007 also applies to tax losses incurred before 2007, with a transitional provision for losses incurred in the years up to and including 2002. These losses may still be offset against future profits up to and including book years starting in 2011. The total amount of tax losses carried forward and deferred corporate income tax assets as well as the amounts of recognized and unrecognized deferred corporate income taxes per fiscal unity are as follows:

OctoPlus N.V. <sup>1</sup>	Tax losses carried forward	Deferred taxes	Deferred tax asset recognized	Deferred tax asset not-recognized
At 31 December 2010	52,602	13,151	-	13,151
At 31 December 2011	58,059	14,515	-	14,515

<sup>1</sup> The use of tax losses in future years may be restricted as a result of profit split rules for mergers and fiscal unities as stipulated in the Dutch corporate income tax act 1969.

With the liquidation of OctoPlus Inc in 2010, the tax losses carried forward for OctoPlus Inc can no longer be offset against future profits.

The tax losses carried forward per year are as follows:

Financial year	Expiry year	Amount
2003	2012	3,261
2004	2013	1,750
2005	2014	5,698
2006	2015	11,561
2007	2016	14,410
2008	2017	5,717
2009	2018	2,733
2010	2019	6,519
2011	2020	6,410
<b>Total tax losses carried forward</b>		<b>58,059</b>

As the Company had a tax loss in 2011, the tax losses carried forward for the years 2002 or earlier forfeited.

The tax result for the year can be reconciled to the net (accounting) result as follows:

	2011	2010
Net result for the year	(6,316)	(6,202)
Effect of expenses that are not deductible in determining taxable profit	289	157
Effect of costs directly offset with proceeds of financing rounds	(422)	(308)
Effect of differences in depreciable lives, classification of leases and other items	39	(166)
Tax result for the year	<u>(6,410)</u>	<u>(6,519)</u>

#### 14. Pension liabilities

Until 31 January 2006, the Group operated a collective defined benefit plan. This plan was replaced on 1 February 2006 by a collective defined contribution plan. Under this new plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. No amounts have been recognized in the consolidated statement of financial position at 31 December 2010 and 2011 for the terminated defined benefit plan, as the only risk remaining for the Group after the termination date is the risk involving the transfer of pension benefits from the Group's pension plan to a third party pension plan at the end of

employment with one of the group companies, which risk and its financial impact is perceived by the Company as not material.

## 15. Borrowings and finance lease liabilities

<b>Finance lease liabilities</b>	<b>2011</b>	<b>2010</b>
Non-current portion	8,228	9,296
Current portion	1,115	1,020
Finance lease liabilities	<u>9,343</u>	<u>10,316</u>

Maturity analysis for non-derivative financial liabilities:

	<b>2011</b>	<b>2010</b>
<b>Finance lease liabilities – minimum lease payments:</b>		
No later than 1 year	1,848	1,832
Between 1 and 5 years	4,388	5,282
Later than 5 years	9,043	10,045
	<u>15,279</u>	<u>17,159</u>
Future finance charges on finance leases	(5,936)	(6,843)
Present value of finance lease liabilities	<u>9,343</u>	<u>10,316</u>

**The present value of finance lease liabilities is as follows:**

No later than 1 year	1,115	1,020
Between 1 and 5 years	2,018	2,712
Later than 5 years	6,210	6,584
	<u>9,343</u>	<u>10,316</u>

Finance lease liabilities decreased to € 9,343 (2010, € 10,316) due to scheduled repayments on the different finance lease agreements.

The carrying amounts of all non-current financial liabilities approximate their fair values.

Lease liabilities are effectively secured by the lessor as the rights to the leased asset revert to the lessor in the event of default.

### Bank overdrafts

There was no bank overdraft at 31 December 2011 (2010, € 6). The Company has a credit line facility for working capital and investment purposes up to € 2.0 million with ABN Amro Bank N.V., formerly known as Fortis Bank (Nederland) B.V., as agreed in December 2009. The interest charged on the facility is linked to EURIBOR and the actual amount available in a certain month is calculated as a percentage of the eligible receivables at the end of the previous month. This credit line facility replaced the Company's credit line facility with ABN Amro Bank N.V. (currently Deutsche Bank N.V.) from early 2010 onwards. As collateral, OctoPlus N.V. and its subsidiaries provide a pledge over their equipment, inventories, receivables and patents (with the exception of patents owned by PolyActive Sciences B.V.). The net book value of the property, plant and equipment pledged amounted to € 5,237 at 31 December 2011 (2010, € 6,131). In addition, the facility agreement contains a covenant that requires OctoPlus N.V.'s consolidated tangible net worth to equal at least 25% of the adjusted



balance sheet total at each reporting date. There were no breaches of this covenant at 31 December 2010 and 2011.

### Finance lease arrangements

The agreement with ABN Amro Lease includes the following securities:

- The shares in OctoPlus Development B.V. are collateralized to ABN Amro Lease,
- Shareholders' equity of OctoPlus Development B.V. needs to exceed 30% of the adjusted balance sheet total at the end of each year. There was no breach of this covenant at 31 December 2010 and 2011.

There are no further restrictions imposed by this lease agreement.

### Effective interest rates and borrowing facilities

The effective interest rates at the balance sheet date were as follows:

	<b>2011</b>	<b>2010</b>
Bank overdrafts	3.3%	3.0%
Finance lease liabilities	9.1%	8.9%

The available amounts on the credit line facility at the balance sheet date were as follows:

	<b>2011</b>	<b>2010</b>
Credit line facility – up to maximum of facility	2,000	1,994
Credit line facility – available at end of period	1,291	971

## 16. Trade and other payables

	<b>2011</b>	<b>2010</b>
Trade payables	2,195	1,471

The average credit period received from vendors is 30 days. In general, no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are generally paid within the credit timeframe.

Trade payables increased to € 2,195 (2010, € 1,471) mainly as a result of payment of the quarterly rent early January 2012 and outstanding invoices related to the October 2011 financing round at 31 December 2011.

In total € 43 (2010, € 7) of invoices received and outstanding related to property, plant and equipment.

Included in the Group's trade payable balance are creditors with a carrying amount of € 1,236 (2010, € 936) that are past due at the reporting date.

<b>Ageing of past due</b>	<b>2011</b>	<b>2010</b>
1-30 days	455	319
31-60 days	124	134
Over 60 days	657	483
Total overdue	<u>1,236</u>	<u>936</u>

Wage taxes and accrued social security costs	165	176
Social securities and other taxes	165	176

Subsidies received in advance (Note 18)	503	521
Deferred income	1,040	607
Collaterals from customers	1,568	1,889
Accrued expenses	1,553	1,426
Other current liabilities	4,664	4,443

The carrying amounts of all current financial liabilities approximate their fair values.

Collaterals from customers are settled with the last invoice payment.

Included under 'trade payables' are related-party transactions for a total amount of € 74 at 31 December 2011 (2010, € 97) and included under 'other current liabilities' are related-party transactions for a total amount of € 65 at 31 December 2011 (2010, € 82) (Note 29).

## 17. Revenues

	2011	2010
Service revenues	7,675	7,978
License and other revenues	27	86
Income from subsidies (Note 18)	-	265
	7,702	8,329

### Service revenues

Service revenues typically involve the performance by the entity of a contractually agreed task over an agreed period of time. Since our establishment in 1995, we have provided services to a diverse and international group of more than 170 pharmaceutical and biotechnology companies on a fee-for-service basis. We witnessed a high percentage of long-term clients, either outsourcing multiple projects at OctoPlus or returning to OctoPlus with their next project or development phase. Currently, our active customer base comprises around 40 clients, which are located worldwide and include small, medium and large biotechnology as well as pharmaceutical companies. Contracts with our customers vary in size and duration. Historically, revenues generated from individual contracts have been in the range of € 25 to € 1.5 million. The duration of a project varies between a few months to several years. The Company top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues, with the largest customer generating between 23% of 2011 consolidated revenues.

2011 service revenues decreased with 4% from € 7,978 in 2010 to € 7,675 in 2011. Revenue from technology evaluation contracts increased significantly mainly as a result of development work performed for ESBATech. Revenue from other service contracts decreased compared to 2010 as a result of the difficult economic climate where the lead time from initial interest from the customer to signature of the project plan has taken significantly longer than we have experienced in previous years.

## License and other revenues

License revenues relate to amounts earned from third parties with licenses and/or options to the Group's intellectual property and for amounts received for the sale of part of the Group's intellectual property. Only marginal license revenues were generated in 2011 (€ 27, 2010, € 70).

Other revenues relate to amounts earned from activities that do not form part of OctoPlus' core business and mostly relate to selling assets and materials that are no longer required. In 2010, other revenues amounted to € 16 (2011, € 0).

### 18. Income from subsidies

Income from subsidies in the years presented related to a collaboration with the Thorax Centre of Erasmus University (Rotterdam, the Netherlands), in 2004 the Group commenced a three-year research project for a novel approach to treat myocardial regeneration, which was extended until 30 June 2011. Total costs of this project were estimated at € 3,250 at the start of the project and SenterNovem granted a subsidy of € 2,000 in order to relieve the Group's and Erasmus University's burden in the costs. An advance of 25% of the total subsidy (€ 500) was received by the Group in December 2004 and is recorded as 'subsidies received in advance' under 'other current liabilities' in the consolidated statement of financial position at 31 December 2010 and 31 December 2011 (Note 16). The project ended per 30 June 2011. Estimated actual total project costs for OctoPlus amount to € 674 which results in an estimated subsidy of € 472. At 31 December 2011, a balance of € 155 (2010, € 87) to be repaid to Erasmus University is recorded under 'trade payables' in the consolidated statement of financial position.

The project for a novel approach to treat myocardial regeneration was the Company's only subsidized project in 2010 and 2011. There was no income from subsidies for this project in 2011 (2010, € 265).

### 19. Cost of materials and work contracted out

All costs directly related to the Company's revenues are included in the cost category 'cost of materials and work contracted out'. These costs include (i) standard material costs for both the Company's manufacturing and laboratory facilities (ii) costs related to external testing (environmental and process monitoring) to retain the cGMP status for the Company's manufacturing facilities, (iii) costs related to development programs, and (iv) other direct material-related costs.

	<b>2011</b>	<b>2010</b>
Cost of materials and work contracted out	875	1,090

The decrease of cost of materials and work contracted out mainly related to the end of the Thorax project (Note 18). As a result, only marginal amounts were spent on this project in 2011.

The amount of inventories recognized as an expense is equal to the standard material costs.

### 20. Wages and salaries

	<b>2011</b>	<b>2010</b>
Salaries	5,370	5,239
Temporary personnel	710	392

Social security costs	421	408
Pension costs	218	198
Share options granted to employees (Note 12)	289	157
	<u>7,008</u>	<u>6,394</u>
Number of employees at 31 December (excl temporary staff)	111	95
Average number of FTE's for the year (excl temporary staff)	102	108

The salaries are net of WBSO subsidies of € 625 (2010, € 558).

## 21. Other costs

For leases where the Group is a lessee under operating leases, lease rentals amounting to €

	2011	2010	223
Other personnel costs	444	461	
Housing costs	912	1,138	
Office expenses	202	191	
Repair and maintenance	491	437	
Selling & Marketing costs	100	59	
General expenses	957	1,006	
	<u>3,106</u>	<u>3,292</u>	

(2010, € 220) are included in 'other costs' in the statement of comprehensive income.

The fees included in these financial statements related to the Group's external auditor, Deloitte Accountants B.V., are as follows:

	2011	2010
Audit services	93	127
Other assurance services	13	-
Tax advisory services	-	-
Other non-assurance services	33	16
	<u>139</u>	<u>143</u>

Included in the other non-assurance services are services from Deloitte Accountants B.V. amounting to € 22 related to the October 2011 private placement which were directly offset in equity in 2011 (2010, € 0).

## 22. Interest income and interest costs

	2011	2010
Interest income:		
– Bank deposits	17	12
	<u>17</u>	<u>12</u>
Interest costs:		
– Bank borrowings, overdrafts and other debt	(11)	(30)
– Finance leases	(887)	(958)
– Exchange gains and losses	1	(5)
	<u>(897)</u>	<u>(993)</u>
Finance costs – net	<u>(880)</u>	<u>(981)</u>

## 23. Earnings per share

### Basic

Basic earnings per share are calculated by dividing the result attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

	2011	2010
Result attributable to equity holders of the Company	(6,316)	(6,202)
Weighted average number of ordinary shares	38,115,960	33,517,876
Basic earnings per share (€ per share)	(0.17)	(0.19)

### Diluted

The effects of potential ordinary shares are only reflected in diluted earnings per share when their inclusion in the calculation would increase the loss per share. For both years included in these financial statements, the share options and warrants are not included in the diluted earnings per share calculation as inclusion would decrease the loss per share.

## 24. Dividends per share

The Company did not declare dividends for any of the years presented in these consolidated financial statements.

## 25. Cash flow statement

In the consolidated statement of cash flows, purchases of property, plant and equipment comprise:

	2011	2010
Additions according to Note 7 (net of retired assets)	112	54
Non-cash transactions – other finance lease contracts	-	-
Movement trade payables at year-end	(36)	4
Movement other current liabilities	-	-
Purchases of property, plant and equipment	<u>76</u>	<u>58</u>

## 26. Contingencies

### Milestone payments and royalties

On 24 April 2007, the Group signed a contract with IsoTis to acquire the full rights to the PolyActive technology and its intellectual property in certain areas. As part of this contract, the 'amended and restated license assignment and cross license assignment' ('ACLA'), as signed in May 2003, was terminated. This ACLA outlines, among others, the commercial development milestone payments and the profit-sharing payments from the Group to IsoTis. As per the new contract, the Group is required to make certain royalty payments on received milestone payments and received royalty payments on the sales of Locteron during the patent terms and the sales on other pharmaceutical products based on the PolyActive technology during the patents terms. If and when these royalty payments have to be made is uncertain and

dependent on the commercial success of Locteron and the pharmaceutical products developed based upon the PolyActive technology. The contracts signed with Biolex in October 2008 (Note 6) did not result in any payments to IsoTis so far, but will result in royalty payments in case Locteron development progresses successfully.

On 29 October 2007, US based company Integra LifeSciences Holdings Corporation ('Integra') acquired all issued and outstanding shares of IsoTis and any potential royalties will therefore need to be paid to Integra.

Pursuant to the Group's agreement with Theratechnologies (Note 6), Theratechnologies is entitled to multiple development, regulatory and sales milestone payments for each product incorporating the licensed technology. The sum of these milestone payments amounts to € 35.7 million per product if all milestones are met, with the milestone payments increasing as the development of the product progresses. In 2009, the patents acquired from Theratechnologies were impaired, as the Group stopped development at its own risk and cost and believes that the probability of finding a license partner for a product which is based on the family of compounds licensed from Theratechnologies is low. As a result, it is unlikely that any payments will need to be made to Theratechnologies based upon this agreement. The Group is obliged to pay royalties to Utrecht University for revenues received based on the OctoDEX technology platform. Such royalties shall not exceed 2% of such revenues. The Group is obliged to pay royalties to Utrecht University for revenues received based on the OctoDEX technology platform. Such royalties shall not exceed 2% of such revenues.

Leiden University Medical Centre is entitled to certain royalty revenues on OP-145. Depending on the cumulative revenues, the royalties vary from 30% for cumulative revenues below € 15 million to 12.5% once cumulative revenues have exceeded € 30 million.

## **Claims**

OctoPlus is currently subject to one legal proceeding and is in dispute with another third party which might result in a legal proceeding in the future. In addition, OctoPlus, as any other company, may become subject to a variety of other legal proceedings in the future such as product liability, commercial, employment and wrongful discharge, antitrust, securities, sales and marketing practices, health and safety, environmental and tax litigation claims, government investigations and intellectual property disputes. As a result, the Group may become subject to substantial liabilities in the future that may not be covered by insurance.

The Company believes that, after legal advice, the legal proceeding and the dispute can be defended successfully and no significant losses are expected to be incurred in the future. As a consequence, the provision recorded for these disputes is only marginal. However, litigation is inherently unpredictable and a large verdict could occur. As a consequence, OctoPlus may in the future incur judgements or enter into settlements of the current disputes or future claims that could have a material adverse effect on the Group's financial results or cash flows.

## **27. Commitments**

### **Operating lease commitments**

The Group leases equipment under operating lease agreements. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in Note 21.

	<b>2011</b>	<b>2010</b>
No later than 1 year	226	221
Later than 1 year and no later than 5 years	905	886
Later than 5 years	2,019	2,189
	<u>3,150</u>	<u>3,296</u>

A significant part of the operating lease commitments relate to the monthly rental costs for the land portion of the 20-year lease contracts for the Group's office, laboratory and manufacturing facilities (Note 7).

### **Other operating commitments**

The Group has not made material unconditional other operating commitments at 31 December 2011 (2010, € 0).

### **Capital commitments**

The Group has not made material capital commitments at 31 December 2011 and 2010.

### **Bank guarantees**

Bank guarantees at 31 December 2011 amounted to € 340 (2010, € 340) and equal three months of rent for the Company's office, laboratory and manufacturing facilities. A € 116 bank guarantee related to the office, laboratory and manufacturing facilities the Company has occupied since 2000 and a € 224 bank guarantee related to the new office, laboratory and manufacturing facilities the Company started occupying in 2008 (Note 7). Both bank guarantees will be released at the end of the rental agreements.

## **28. Business combinations**

There were no business combinations effected during the years ended 31 December 2010 and 2011.

## **29. Related-party transactions**

### **a Shareholders**

Signet Healthcare Partners became a major Shareholder as part of the February 2009 private placement. Mr. Gale, a member of our Supervisory Board, is a managing partner at Signet Healthcare Partners. Signet Healthcare Partners participated in the October 2011 private placement and acquired 500,000 ordinary shares at a price of € 0.50 per share.

Life Sciences Partners is a major Shareholder and Mr. Kuijten, a member of our Supervisory Board, is a managing partner at Life Sciences Partners. Life Sciences Partners participated in the December 2010 private placement and acquired 296,610 shares at a price of € 1.18 per share and participated in the October 2011 private placement and acquired 124,000 ordinary shares at a price of € 0.50 per share.

### **b Supervisory Board**

On 12 May 2010, the AGM approved the proposal by the Supervisory Board to appoint Mrs. de Ruiten as new member of the OctoPlus Supervisory Board for a period of four years. Mrs. de Ruiten owned 500,000 shares in the Company at the time of her appointment. Mrs. de Ruiten participated in the December 2010 private placement and acquired 63,560 shares at a



price of € 1.18 per share. Mrs. de Ruiter participated in the October 2011 private placement and acquired 250,000 shares at a price of € 0.50 per share. In total, Mrs. de Ruiter owned 813,560 shares in the Company at 31 December 2011.

None of the other members of the Supervisory Board owns shares and none of the members of the Supervisory Board own options to acquire shares.

The remuneration of the Supervisory Board amounted to € 161 (2010, € 149). The remuneration of the individual members of the Supervisory Board is set out in the table below:

	<b>2011 base salary</b>	<b>2010 base salary</b>
J. Stellingsma (Chairman)	41	37
R.R. Kuijten	35	27
P. Toon	-	8
Ph. Smith	-	10
F.E. Eelkman Rooda	30	27
J. Gale	25	23
N.D. de Ruiter	30	17
	161	149

Since 1 January 2008, the fixed annual remuneration for the members of the Supervisory Board is € 31 for the Chairman and € 25 for all other members of the Supervisory Board. In addition, € 5 remuneration is received by a member for each Supervisory Board committee participated in. Each member of the Supervisory Board agreed to a 10% one-time decrease in fees for the year 2010. As a result, a fixed annual remuneration of € 28 for the Chairman and € 23 for all other members of the Supervisory Board was accounted for in the year 2010. Two members of the Supervisory Board participated in two committees in 2010 and 2011. Mr. Kuijten waived his fee for the second committee in 2010.

Part of the remuneration and part of the expense claim reimbursements of the Supervisory Board over the last few years (€ 139, 2010, € 173) was not yet reimbursed at year-end and is recorded under 'trade payables' (€ 74, 2010, € 91) and 'other current liabilities' (€ 65, 2010, € 82) in the consolidated statement of financial position.

#### **c Executive Board**

The Executive Board is defined as the Company's key management personnel. The remuneration of OctoPlus' Executive Board members in 2011 amounted to € 1,158 (2010, € 1,018) with the details set out in the table below:

	<b>Base salary</b>	<b>Bonus</b>	<b>Pensions</b>	<b>Other</b>	<b>2011</b>	<b>2010</b>
J.H. Egberts, CEO <sup>1,3</sup>	360	144	-	142	646	52
S.M. Swarte, CFO <sup>2,3</sup>	166	25	9	49	249	226
G. Moolhuizen, CBO <sup>3</sup>	175	26	9	53	263	259
	<b>701</b>	<b>195</b>	<b>18</b>	<b>244</b>	<b>1,158</b>	<b>537</b>

<sup>1</sup> On 1 December 2010, the Company's new Chief Executive Officer ("CEO"), Mr. Egberts, started working for OctoPlus. On 20 May 2011, the AGM approved the proposal by the Supervisory Board to appoint Mr. Egberts as new CEO of the Company.

<sup>2</sup> As of 1 June 2011, Mrs. Swarte base salary was aligned with the base salary of Mr. Moolhuizen at € 175 on an annual basis.

<sup>3</sup> Included under 'Other' are option costs for Mr. Egberts (€ 140, 2010, € 10), Mrs. Swarte (€ 45, 2010, € 30) and Mr. Moolhuizen (€ 45, 2010, € 36).

The following costs were recorded in the statement of comprehensive income related to the remuneration of the Executive Board:

	<b>2011</b>	<b>2010</b>
Salaries and other short-term employee benefits	925	871
Post-employment benefits	18	22
Share-based payments	228	76
	<b>1,171</b>	<b>969</b>

2010 remuneration in the table includes the remuneration of Mr. Sturge. Mr. Sturge, former-CEO, left the Company in December 2010. Part of the expense claim reimbursements of the Executive Board in 2010 (€ 6) was not reimbursed at 31 December 2010 and is recorded under trade payables in the consolidated statement of financial position.

For more details on the remuneration of the Executive Board, reference is made to the 'Remuneration report' elsewhere in this document.

### ***Former members of the Executive Board***

In the 2010 Annual Report, we included a € 46 bonus accrual related to Mr. Sturge 2010 performance. This amount was the maximum exposure based on 8% achievement of targets. In 2011, the Supervisory Board decided not to grant this bonus to Mr. Sturge.

### ***Key management's interests in the Company***

The Executive Board is our key management and consisted of three members at 31 December 2011, Mr. Egberts (CEO), Mrs. Swarte (CFO) and Mr. Moolhuizen (CBO).

The shares and options owned by these Executive Board members at 31 December 2011 are outlined below.

### **J.H. Egberts**

Mr. Egberts joined the Company on 1 January 2011. On 20 May 2011, the AGM approved the proposal by the Supervisory Board to appoint Mr. Egberts as new CEO of the Company.

Mr. Egberts participated in the December 2010 financing round and acquired 127,119 ordinary shares at a price of € 1.18 per share (Note 12).

Mr. Egberts participated in the October 2011 financing round and acquired 300,000 ordinary shares at a price of € 0.50 per share (Note 12).

Mr. Egberts unconditional share options rights in the Company are as follows:

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
<b>At 1 January</b>	1.27	850,000	-	-
Granted	1.27	184,888	1.27	850,000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	-	-
<b>At 31 December</b>	1.27	<u>1,034,888</u>	1.27	<u>850,000</u>

On 1 December 2010, Mr. Egberts received 850,000 unconditional options and 300,000 conditional options. The number of unconditional options Mr. Egberts will receive from the conditional options granted depends on certain pre-defined performance criteria in the years 2011, 2012 and 2013, with 1/3 of the conditional options related to each of the three years.

As per the anti-dilution clause in Mr. Egberts' option contract (Note 12), Mr. Egberts received 184,888 unconditional options and 65,255 conditional options after the private placement of 31 October 2011. The options were received under identical conditions as the options initially granted in 2010 except for the end of the vesting period and the end of the exercise period, which have been aligned with the end of the vesting period and the end of the exercise period of the initial unconditional and conditional options granted to Mr. Egberts in December 2010.

On 21 February 2012, Mr. Egberts received 121,752 unconditional options related to his 2011 performance. The remaining 243,503 conditional options related to his 2012 and 2013 performance are still outstanding.

### S.M. Swarte

Mrs. Swarte does not hold shares in the Company at 31 December 2010 and 2011.

Mrs. Swarte unconditional share options rights in the Company are as follows:

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
<b>At 1 January</b>	1.41	167,000	-	-
Granted	1.41	11,133	1.41	167,000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	-	-
<b>At 31 December</b>	1.41	<u>178.133</u>	1.41	<u>167,000</u>

The outstanding unconditional share options held by Mrs. Swarte on 31 December 2011 expire as follows 167,000 options on 4 March 2015 and 11,133 options on 28 February 2016.

As part of the 2010 option plan, Mrs. Swarte received 167,000 conditional options in March 2010.

The number of unconditional options Mrs. Swarte receives from the conditional options granted depends on certain pre-defined performance criteria related to the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years.

In Q1 2011, Mrs. Swarte received 11,133 unconditional options from the 55,667 conditional options granted related to her 2010 performance. The remaining 44,534 conditional options related to her 2010 performance can still be granted to Mrs. Swarte in 2014 in case certain pre-defined performance criteria are met by Mrs. Swarte in the year 2013.

On 21 February 2012, Mrs. Swarte received 27,834 unconditional options from the 55,667 conditional options granted related to her 2011 performance. The remaining 55,666 conditional options related to her 2012 performance are still outstanding. The 27,833 conditional options not received related to Mrs. Swarte's 2011 performance can still be granted to Mrs. Swarte in 2014 in case certain pre-defined performance criteria are met by Mrs. Swarte in the year 2013. For details on the 2010 option plan and the performance criteria achieved, reference is made to Note 12 and the 'Remuneration report' elsewhere in this document.

## G. Moolhuizen

Mr. Moolhuizen held 22,500 shares in the Company at 31 December 2010 and 2011.

Mr. Moolhuizen unconditional share options rights in the Company are as follows:

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
<b>At 1 January</b>	1.71	218,411	2.70	51,411
Granted	1.41	11,133	1.41	167,000
Forfeited		-		-
Exercised		-		-
Lapsed	2.70	(51,411)		-
<b>At 31 December</b>	1.41	<u>178,133</u>	1.71	<u>218,411</u>

The outstanding unconditional share options held by Mr. Moolhuizen on 31 December 2011 expire as follows 167,000 options on 4 March 2015 and 11,133 options on 28 February 2016.

As part of the 2010 option plan, Mr. Moolhuizen received 167,000 conditional options in March 2010.

The number of unconditional options Mr. Moolhuizen receives from the conditional options granted depends on certain pre-defined performance criteria related to the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years.

In Q1 2011, Mr. Moolhuizen received 11,133 unconditional options from the 55,667 conditional options granted related to his 2010 performance. The remaining 44,534 conditional options

related to his 2010 performance can still be granted to Mr. Moolhuizen in 2014 in case certain pre-defined performance criteria are met by Mr. Moolhuizen in the year 2013.

On 21 February 2012, Mr. Moolhuizen received 16,700 unconditional options from the 55,667 conditional options granted related to his 2011 performance. The remaining 55,666 conditional options related to his 2012 performance are still outstanding. The 38,967 conditional options not received related to Mr. Moolhuizen's 2011 performance can still be granted to Mr. Moolhuizen in 2014 in case certain pre-defined performance criteria are met by Mr. Moolhuizen in the year 2013.

For details on the 2010 option plan and the performance criteria achieved, reference is made to Note 12 and the 'Remuneration report' elsewhere in this document.

**30. Events after balance sheet date**

On 25 April 2012 the Company successfully completed an equity raising with € 3 million net proceeds through a private placement of 7.9 million shares at an offer price of € 0.40 per share with the Van Herk Group. The Company intends to use the proceeds of the private placement for working capital purposes and to invest in projects with financial upside potential. The shares will be issued in two tranches. The first tranche of 3 million shares has been issued in April 2012 and the second tranche of 4.9 million shares is subject to approval by the Annual General Meeting of Shareholders in June 2012 of the number of shares that the Executive Board is authorized to issue.

## Company-only financial statements

### Balance sheet of OctoPlus N.V.

(After proposed appropriation of net result)

(In € x 1,000)

	Note	At 31 Dec 2011	At 31 Dec 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		243	243
Buildings		6,475	6,903
Financial assets carried at cost		1,299	1,299
Investments in subsidiaries	B	23,239	22,605
		<u>31,256</u>	<u>31,050</u>
<b>Current assets</b>			
Short-term receivables from subsidiaries	C	1,427	4,099
Social securities and other taxes		-	1
Other receivables, prepayments and accrued income		373	347
Cash and cash equivalents		1	-
		<u>1,801</u>	<u>4,447</u>
<b>Total assets</b>		<u>33,057</u>	<u>35,497</u>
<b>EQUITY</b>			
Issued share capital	D	5,373	4,413
Share premium reserve	D	55,540	52,922
Other reserves	D	850	777
Accumulated deficit	D	(55,277)	(49,177)
<b>Total equity</b>		<u>6,486</u>	<u>8,935</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for subsidiaries	E	16,441	16,822
Finance lease liabilities		7,527	7,790
		<u>23,968</u>	<u>24,612</u>
<b>Current liabilities</b>			
Current portion of finance lease liabilities		263	241
Trade payables		687	136
Payable to subsidiaries		1,065	1,013
Social securities and other taxes		36	166
Other current liabilities		552	394
		<u>2,603</u>	<u>1,950</u>
<b>Total liabilities</b>		<u>26,571</u>	<u>26,562</u>
<b>Total equity and liabilities</b>		<u>33,057</u>	<u>35,497</u>

## Income statement of OctoPlus N.V.

(In € x 1,000)

	<b>Year ended 31 December</b>	
<b>Note</b>	<b>2011</b>	<b>2010</b>
Result from subsidiaries after taxes	(6,800)	(6,798)
Other results of OctoPlus N.V. after taxes	484	596
<b>Net result</b>	<b>(6,316)</b>	<b>(6,202)</b>

## Notes to the company-only financial statements

### A. General information

#### Corporate information

The company-only financial statements are part of the 2011 financial statements of OctoPlus N.V.

OctoPlus N.V. is the direct parent and 100% shareholder of all subsidiaries and also effectively exercises influence of significance over the operational and financial activities of all subsidiaries. For further details, reference is made to Note 1.3 of the consolidated financial statements.

With reference to the company-only statement of comprehensive income of OctoPlus N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

#### Basis of preparation

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, OctoPlus N.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as 'accounting policies') of the company-only financial statements of OctoPlus N.V. are the same as those applied for the consolidated IFRS financial statements. The consolidated IFRS financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). All standards and all interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') effective for 2011 have been adopted by the EU. Please see the notes to the consolidated financial statements for a description of these principles.

#### Investments in subsidiaries

In the company-only financial statements, investments in subsidiaries are stated at net asset value if the Company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the Company. Subsidiaries with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the subsidiary concerned, or has the effective obligation respectively, to enable the subsidiary to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the subsidiary are taken into account.

### B. Investments in subsidiaries

	2011	2010
Balance at 1 January	22,605	22,473
Result current year	(4,866)	(3,868)
Share capital contribution	5,500	4,000
Balance at 31 December	23,239	22,605

The share capital contributions related to a share capital contribution of OctoPlus N.V. in OctoPlus Development B.V., a 100% directly held subsidiary of OctoPlus N.V., in December 2010 and December 2011 respectively.



### **C. Short-term receivables from subsidiaries**

Short-term receivables from subsidiaries balance at 31 December 2011 included a provision of € 21,195 (2010, € 18,981 provision).

### **D. Shareholders' equity**

The Company has applied Section 2:362 (8) of the Netherlands Civil Code, and therefore the reconciliation is maintained between the Group's equity and the Company's equity. For details of the movements in and components of equity, reference is made to the 'Statement of changes in equity' and Note 12 of the consolidated financial statements.

No part of the Company's equity is classified as legal reserves.

For details of the movements in share options, reference is made to Note 12 of the consolidated financial statements.

### **E. Provisions for subsidiaries**

	<b>2011</b>	<b>2010</b>
Balance at 1 January	16,822	18,021
Additions/(release)	(381)	(1,199)
Balance at 31 December	<u>16,441</u>	<u>16,822</u>

Provisions for group companies are netted with possible short-term and long-term receivables for each respective group company. This resulted in a in/decrease of the provision for group companies with € 381 per 31 December 2011 related to short-term receivables from group companies (2010, decrease of € 1,199).

### **F. Remuneration of Executive Board and Supervisory Board**

The 2011 remuneration of the Supervisory Board amounted to € 161 (2010, € 149) and the 2011 remuneration of the Executive Board amounted to € 1,158 (2010, € 537). For further details, reference is made to Note 29 of the consolidated financial statements and the Supervisory Board report, section 'Remuneration report'.

### **G. Employee information**

OctoPlus N.V. employed two employees at 31 December 2011 (31 December 2010, two employees). The average number of employees of OctoPlus N.V. in 2011 was 2.0 FTE (2010, 2.0 FTE). For further details on the number of employees of the Group, reference is made to Note 20 of the consolidated financial statements.

### **H. Commitments**

OctoPlus N.V. has issued article 403 statements for all of its 100% Dutch subsidiaries; OctoShare B.V., OctoPlus Development B.V., OctoPlus Technologies B.V., OctoPlus Sciences B.V. and Chienna B.V. from 1 January 2006 onwards, and for OctoPlus PolyActive Sciences B.V. which was created in 2008 from that year onwards, and as a result is jointly and severally liable for any indebtedness of these entities.

OctoPlus N.V. is the parent company of fiscal unity OctoPlus N.V. (both corporate income taxes and value-added taxes) and as such jointly and severally liable for tax liabilities of all entities of this fiscal unity.

For any other operating commitments, reference is made to Note 27 of the consolidated financial statements.

**I. Signing of the financial statements**

**Executive Board**

J.H. Egberts, Chief Executive Officer  
S.M. Swarte, Chief Financial Officer  
G. Moolhuizen, Chief Business Officer

**Supervisory Board**

R.R. Kuijten  
F.E. Eelkman Rooda  
J. Gale

Leiden, the Netherlands, 27 April 2012

## **Statutory arrangement concerning the appropriation of the result**

In article 33 of the Articles of Association, the following has been stated concerning profits and distributions:

- 33.1** Each year, the Executive Board may, subject to the approval of the Board of Supervisory Directors, determine which part of the profits – the positive balance on the profit and loss accounts - shall be reserved.
- 33.2** The part of the profit remaining after the reservation in accordance with Article 33.1 shall be distributed as dividend on the Shares.
- 33.3** Distributions may be made only up to an amount which does not exceed the amount of Distributable Equity.
- 33.4** Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.
- 33.5** The Executive Board may resolve to distribute interim dividend on the Shares. Such a resolution shall be subject to approval of the Board of Supervisory Directors.
- 33.6** In calculating the amount of any distribution on Shares, Shares held by the Company shall be disregarded.
- 33.7** The Sections 2:103, 2:104 and 2:105 of the Dutch Civil Code shall apply to distribution to holders of Shares.

## **Proposed result appropriation for the financial year 2011**

The General Meeting of Shareholders will be proposed to add the loss for 2011 of € 6,316 to the accumulated deficit. The financial statements reflect this proposal.

## **Events after balance sheet date**

For events after balance sheet date, reference is made to Note 30 of the consolidated financial statements.

## **13.5 Independent auditor's report relating to the Financial statements for the Financial Year 2011**

### **Independent auditor's report**

To: the Shareholders and the Supervisory Board of OctoPlus N.V.

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements 2011 of OctoPlus N.V., Leiden, the Netherlands. The financial statements include the consolidated financial statements and the company-only financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company-only financial statements comprise the company-only balance sheet as at 31 December 2011, the company-only profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **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 Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OctoPlus N.V. as at 31 December 2011 and of its result and its cash flows for the year

then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

### **Opinion with respect to the company-only financial statements**

In our opinion, the company-only financial statements give a true and fair view of the financial position of OctoPlus N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Executive Board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 27 April 2012

Deloitte Accountants B.V.  
I.A. Buitendijk

**13.6 Interim financial report June 30, 2012**

**OctoPlus N.V.**

**Interim Financial Report**

**June 30, 2012**

## Consolidated statement of financial position at June 30, 2012

(In € x 1,000)

	Note	At June 30, 2012	At 31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill		243	243
Patents		1,373	1,519
Other intangible assets		66	78
		<b>1,682</b>	<b>1,840</b>
<i>Property, plant and equipment</i>			
Buildings		6,260	6,475
Machines and installations		7,156	7,700
Other equipment		108	143
		<b>13,524</b>	<b>14,318</b>
Financial assets carried at cost	6	-	1,299
		<b>15,206</b>	<b>17,457</b>
<b>Current assets</b>			
Inventories		374	388
Trade receivables	6	1,106	2,357
Social securities and other taxes		224	161
Other receivables, prepayments and accrued income		970	887
Cash and cash equivalents	7	1,510	1,603
		<b>4,184</b>	<b>5,396</b>
<b>Total assets</b>		<b>19,390</b>	<b>22,853</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity	8	3,776	6,486
Total group equity		<b>3,776</b>	<b>6,486</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities		7,647	8,228
		<b>7,647</b>	<b>8,228</b>
<b>Current liabilities</b>			
Current portion of finance lease liabilities		1,148	1,115
Trade payables		2,028	2,195
Social securities and other taxes		288	165
Other current liabilities		4,502	4,664
		<b>7,966</b>	<b>8,139</b>
<b>Total liabilities</b>		<b>15,613</b>	<b>16,367</b>
<b>Total equity and liabilities</b>		<b>19,390</b>	<b>22,853</b>

**Condensed consolidated statement of comprehensive income  
for the period ended June 30, 2012**

(In € x 1,000)

**Six months ended June 30,**

	Note	2012	2011 <i>Unaudited</i>
Service revenues	9	4,839	3,931
License and other revenues	9	(4)	9
Income from subsidies	9	-	12
<b>Total revenues</b>		<b>4,835</b>	<b>3,952</b>
Cost of materials and work contracted out	10	457	466
Wages and salaries	10	3,862	3,447
Depreciation and amortisation	10	2,344	1,087
Other costs	10	3,547	1,381
<b>Total operating costs</b>		<b>10,210</b>	<b>6,381</b>
<b>Operating loss</b>		<b>(5,375)</b>	<b>(2,429)</b>
Interest (net)	11	(438)	(456)
<b>Result before corporate income taxes</b>		<b>(5,813)</b>	<b>(2,885)</b>
Corporate income taxes		-	-
<b>Result for the period</b>		<b>(5,813)</b>	<b>(2,885)</b>
Other comprehensive income		-	-
<b>Total comprehensive result for the period</b>		<b>(5,813)</b>	<b>(2,885)</b>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(5,813)</b>	<b>(2,885)</b>
<b>Result per share for result attributable to the equity holders of the Company during the six-month period (expressed in Euro per share)</b>			
Basic		(0.13)	(0.08)
Diluted		(0.13)	(0.08)



**Condensed consolidated statement of changes in equity  
for the period ended June 30, 2012**

(In € x 1,000)

Note	Attributable to equity holders of the Company				Total equity
	Share capital	Share premium reserve	Other reserves	Accumulated deficit	
<b>Balance at January 1, 2011</b>	<b>4,413</b>	<b>52,922</b>	<b>777</b>	<b>(49,177)</b>	<b>8,935</b>
Comprehensive loss for 6-month period ended June 30, 2011	-	-	-	(2,885)	(2,885)
<b>Total recognised loss for 6-month period ended June 30, 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,885)</b>	<b>(2,885)</b>
Employee share option scheme:					
– value of employee services	-	-	138	-	138
– options exercised, lapsed & forfeited	-	-	(53)	53	-
Issue of share capital – costs	-	18	-	-	18
	-	18	85	-	156
<b>Balance at June 30, 2011 (Unaudited)</b>	<b>4,413</b>	<b>52,940</b>	<b>862</b>	<b>(52,009)</b>	<b>6,206</b>
<b>Balance at July 1, 2011 (Unaudited)</b>	<b>4,413</b>	<b>52,940</b>	<b>862</b>	<b>(52,009)</b>	<b>6,206</b>
Comprehensive loss for 6-month period ended 31 December 2011	-	-	-	(3,431)	(3,431)
<b>Total recognised loss for 6-month period ended December 31, 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,431)</b>	<b>(3,431)</b>
Employee share option scheme:					
– value of employee services	-	-	151	-	151
– options exercised, lapsed & forfeited	-	-	(163)	163	-
Issue of share capital – financing	960	3,040	-	-	4,000
Issue of share capital – costs	-	(440)	-	-	(440)
	960	2,600	(12)	163	3,711
<b>Balance at December 31, 2011</b>	<b>5,373</b>	<b>55,540</b>	<b>850</b>	<b>(55,277)</b>	<b>6,486</b>
<b>Balance at January 1, 2012</b>	<b>5,373</b>	<b>55,540</b>	<b>850</b>	<b>(55,277)</b>	<b>6,486</b>
Comprehensive loss for 6-month period ended June 30, 2012	-	-	-	(5,813)	(5,813)
<b>Total recognised loss for 6-month period ended June 30, 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,813)</b>	<b>(5,813)</b>
Employee share option scheme:					
– value of employee services	-	-	155	-	155
– options exercised, lapsed & forfeited	-	-	(190)	190	-
Issue of share capital – financing	947	2,211	-	-	3,158
Issue of share capital – costs	-	(209)	-	-	(209)
	947	2,002	(35)	190	3,104
<b>Balance at June 30, 2012</b>	<b>6,320</b>	<b>57,542</b>	<b>815</b>	<b>(60,900)</b>	<b>3,776</b>

**Condensed consolidated statement of cash flows  
for the period ended June 30, 2012**

		<i>(In € x 1,000)</i>	
		<b>Six months ended June 30,</b>	
<b>Note</b>	<b>2012</b>	<b>2011</b>	
		<i>Unaudited</i>	
<b>Cash flows from operating activities</b>			
	(5,813)	(2,885)	
	Result before corporate income taxes		
	Adjustments for:		
	– Depreciation and amortisation	6	2,344
	– Share-based payments		1,087
	– Changes in working capital		155
			712
	<b>Net cash used in operating activities</b>	<b>12</b>	<b>(2,228)</b>
			<b>(948)</b>
	<b>Cash flows used in investing activities</b>		
		<b>12</b>	<b>(113)</b>
	<b>Cash flows from / (used in) financing activities</b>		
		<b>12</b>	<b>2,248</b>
			<b>(527)</b>
<b>Cash, cash equivalents and bank overdrafts</b>			
	Net decrease during the six month period		(93)
	Balance at January 1	7	1,603
	<b>Balance at June 30</b>	<b>7</b>	<b>1,510</b>
			<b>1,199</b>

## Notes to the interim financial report for the period ended June 30, 2012

### 1. General information

OctoPlus N.V. ('the Company' or 'OctoPlus', and 'the Group' including its subsidiaries) is a specialty pharmaceutical company providing services in development and cGMP manufacturing of complex formulations such as proteins, small molecules and liposomes. In addition, OctoPlus offers proven drug delivery technologies for the development of controlled release formulations of injectable compounds. The Company is a public limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Zernikedreef 12, 2333 CL Leiden, the Netherlands.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this interim financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

No standards and interpretations effective from January 1, 2012 had a material impact on the interim financial report of the Group. All other standards and interpretations that were in issue but not yet effective for reporting periods beginning on January 1, 2012 have not yet been adopted. The Group anticipates that adoption of these standards and interpretations will not have a material impact on the interim financial report of the Group in future periods.

#### 2.1 Basis of preparation

The interim financial report has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as adopted by the European Union.

The interim financial report is presented in euros and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the interim financial report in conformity with accounting policies consistent with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the interim financial report are disclosed in the notes to the Annual Report 2011.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011.

The interim financial report for the six month period ended June 30, 2012 is dated November 12, 2012 and as a result, all events and circumstances per that date have been taken into account as basis of preparation.

As described in the events after the balance sheet date (Note 16), the Company has issued a press release on October 22, 2012 to announce that Dr. Reddy's and OctoPlus have reached conditional agreement on a recommended all cash offer by Dr. Reddy's for all issued and outstanding ordinary shares in the capital of the Company. Although management is of the opinion that it is likely that this transaction will take place, the outcome of this process is not at the discretion of management and is therefore uncertain.

The Company currently does not generate sufficient cash from its regular business activities to meet its entire working capital requirements for the foreseeable future and the going concern is therefore dependent on financing arrangement with Dr. Reddy's or other third parties to finance its ongoing operations.

Based on the above considerations, the interim financial report is prepared based on the going concern principle.

## **2.2 Consolidation**

The Company is the holding company of a group of companies. The other consolidated group companies ("subsidiaries") are:

- OctoShare B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Development B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Technologies B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus PolyActive Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands
- Chienna B.V., 100%, having its legal seat in Bilthoven, the Netherlands

## **3. Risk management.**

The Company's risk profile and its internal control system to mitigate these risks are consistent with those disclosed on pages 25 to 28 and pages 65 to 67 of the Annual Report 2011.

## **4. Cyclicity**

OctoPlus provides pharmaceutical development services to clients and is compensated for these activities as work progresses. As a result, expenditures, income and cash flows are more stable for OctoPlus than for a typical research and development company. Research and development activities per project, as well as their associated cash flows, may fluctuate significantly from time to time. The Company might also be eligible to significant one-off payments in case certain development milestones are reached for products that are developed using the Company's proprietary technologies.

## **5. Segment information**

OctoPlus operates in one reportable segment as disclosed in note 5 of the Annual Report 2011.

## **6. Biolex**

Early July 2012, our partner for the development of Locteron, Biolex Therapeutics Inc. (Biolex), filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Middle District of North Carolina.

Pursuant to the Product Rights Acquisition Agreement OctoPlus signed with Biolex in 2008, OctoPlus received an equity stake of 1.83% in Biolex. This stake has been included in the financial statements at December 31, 2011 for an amount of € 1.3 million. With Biolex' voluntary petition for liquidation under Chapter 7 there is objective evidence of impairment of this asset and an impairment loss is recognized in the first six months of 2012 under Depreciation and amortization.

OctoPlus has also provided its full accounts receivable balance with Biolex of € 1.9 million per June 30, 2012 and recorded the loss under Other costs. € 1.2 million of these receivables directly relate to the development of Locteron, which will be sold by a Trustee to satisfy liabilities of Biolex. We anticipate recovering part of this amount from the proceeds of the sale of the assets of Biolex during the Chapter 7 procedures, however, considering the uncertainties the amount was fully provided for.

The total losses related to the Chapter 7 filing of Biolex amounted to € 3.3 million in the first six months of 2012.

## 7. Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	At Jun 30, 2012	At Dec 31, 2011	At Jun 30, 2011 <i>Unaudited</i>
Cash and cash equivalents	1,510	1,603	1,323
Bank overdrafts	-	-	(124)
Net cash and cash equivalents	1,510	1,603	1,199

## 8. Equity

The number of issued and outstanding ordinary shares per January 1, 2012 was 44,778,974. The Company issued 7,895,000 new shares as part of the April 2012 financing round. These shares were issued in two tranches; the first tranche of 3,000,000 shares was settled on April 25, 2012, the second tranche of 4,895,000 was settled on June 15, 2012. The total transaction costs for the financing round amounted to approximately € 185k and are deducted from the proceeds. The remaining transaction costs of € 24k relate to the financing round in October 2011. As a result of the financing round, share capital increased with € 0.9 million and share premium reserve with € 2.0 million.

In February 2012, the Company granted 166,286 unconditional options to members of the Executive Board for their 2011 performance at an exercise price of € 1.27 per share, which is equal to the closing price of OctoPlus share price at December 31, 2010. The options have a vesting period of three years after the date of grant and a subsequent exercise period of five years.

Total option expense recorded in the first six months of 2012 amounted to € 155k, of which € 120k relate to options granted to members of the Executive Board.

## 9. Revenues

Total revenues increased with 22% from € 3,952k for the six-month period ended June 30, 2011 to € 4,835k for the six month period ended June 30, 2012. Fee-for-service revenues increased with 29%.

	H1 2012	H1 2011	%
	<i>Unaudited</i>		
Fee-for-service, incl. feasibility projects	3,517	2,728	29%
Locteron	1,143	143	700%
Proprietary development	179	1,059	(83%)
Other revenue	(4)	21	(120%)
<b>Total service revenue</b>	<b>4,835</b>	<b>3,952</b>	<b>22%</b>

The increase in fee-for-service revenues is the net result of the increase in number of customers served and an increase in the average revenue per customer realized, offset by a decrease in the average hourly rate of the services provided.

Locteron revenues included preparatory process development work for the scale up for the phase III clinical trials (€ 391k) and manufacturing cancellation fees that OctoPlus was eligible for pursuant the Product Development and Supply Agreement with Biolex (€ 752k).

Proprietary development revenues relate to one large development project which progressed to the pre-clinical phase early 2012, hence the decrease in development work OctoPlus is currently performing. When the pre-clinical phase is completed with satisfactory results, an increase in work related to this project is anticipated.

As the subsidized project has ended in 2011, no income from subsidies was realized in 2012.

## 10. Operating costs

	H1 2012	H1 2011	%
	<i>Unaudited</i>		
Impairment losses Biolex	3,218	-	100%
Other operating costs	6,992	6,381	10%
<b>Total operating costs</b>	<b>10,210</b>	<b>6,381</b>	<b>60%</b>

The operating costs, excluding impairment losses increased with 10% from € 6,381k for the six months period ended June 30, 2011 to € 6,992k for the six months period ended June 30, 2012. This increase is mainly attributable to higher Wages and Salaries at an amount of € 415k driven by an increase in headcount which was required to serve the higher activity levels in our fee-for-service business.

For the impairment losses related to the Chapter 7 filing of Biolex, reference is made to Note 6.

## 11. Interest (net)

Substantially all interest costs for the first six months of 2011 and 2012 relate to finance lease arrangements.

## 12. Consolidated statement of cash flows

In the first six months of 2012, the Company's improvement in working capital (excluding the provision for Biolex receivables) generated € 0.3 million cash compared to the improvement in the first six months of 2011 when € 0.7 million cash was generated as a result of a significant pre-payment.

The net result excluding non-cash losses related to Biolex improved € 0.3 million in the first six months of 2012 compared to the same period in 2011. However € 1.2 million revenue in the first six months of 2012 relates to work for Biolex for which a provision was made.

These developments have caused an increase in the net cash used in operating activities from € 948k in the first six months of 2011 to € 2,228k in the first six months of 2012.

The cash used in investing activities in both six month periods increased from € 33k for the six month period ended June 30, 2011 to € 113k for the six month period ended June 30, 2012 as a result of investments in laboratory equipment.

The cash flow from financing activities increased from € (527k) for the six-month period ended June 30, 2011 to € 2,248k for the six-month period ending June 30, 2012. Cash flows from financing activities for the six-month period ended June 30, 2012 related to the issuance of shares as described in Note 8 of this report and the repayment of financial liabilities (€ 549k).

The ending cash balance per June 30, 2012 amounted to € 1,510k.

## 13. Contingencies

For the Company's contingencies, reference is made to Note 26 of the Annual Report 2011.

## 14. Capital commitments

The Company does not have significant capital commitments per June 30, 2012.

## 15. Related party transactions

On 21 February 2012 the Executive Board Members received options related to their 2011 performance as disclosed in note 29 of the Annual Report 2011.

**16. Events after the balance sheet date**

On October 22, 2012, the Company issued a press release to announce that Dr. Reddy's and OctoPlus have reached conditional agreement on a recommended all cash offer by Dr. Reddy's for all issued and outstanding ordinary shares in the capital of the Company at an offer price per share of € 0.52. Dr. Reddy's and OctoPlus also agreed to enter into a business collaboration agreement for investigational formulation research 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 next six months.

For events after balance sheet date related to Biolex we refer to Note 6.

**Leiden, November 12, 2012**

Jan Egberts, Chief Executive Officer

Susan Swarte, Chief Financial Officer

Gerben Moolhuizen, Chief Business Officer



## **13.7 Review report in respect of the Interim financial report June 30, 2012**

### **Review report**

To: the Executive Board and the Supervisory Board of OctoPlus N.V.

#### **Introduction**

We have reviewed the accompanying Interim Financial Report of OctoPlus N.V., Leiden, which comprises the consolidated statement of financial position as at June 30, 2012, the condensed consolidated statements of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the period of six months ended June 30, 2012, and the notes. Management is responsible for the preparation and presentation of this Interim Financial Report in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope**

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Report as at June 30, 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

#### **Corresponding figures not audited or reviewed**

The Interim Financial Report as at June 30, 2011 has not been audited or reviewed. Consequently, the corresponding figures included in the statement of comprehensive income, statement of cash flows and statement of changes in equity as well as in the disclosure notes have not been audited or reviewed.

#### **Emphasis of uncertainty with respect to the going concern assumption**

We draw attention to note 2.1 'Basis of preparation' to the Interim Financial Report which indicates that the company does not generate sufficient cash from its regular business activities to meet its entire working capital requirements in the foreseeable future and that going concern is dependent on financing arrangement with Dr. Reddy's or other third parties to finance its ongoing operations. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Amsterdam, The Netherlands, November 12, 2012

Deloitte Accountants B.V.  
I.A. Buitendijk

## 13.8 Trading update with respect to Q3

### OctoPlus publishes third quarter business update

Leiden, the Netherlands, 15 November 2012 - OctoPlus N.V. ("OctoPlus" or the "Company") (Euronext: OCTO) today publishes its business update for the third quarter of 2012.

#### Dr. Reddy's intended recommended all cash offer

- On October 22, 2012, OctoPlus and Dr. Reddy's Laboratories Ltd ("Dr. Reddy's") announced that they had reached conditional agreement on a recommended all cash offer by Dr. Reddy's for all issued and outstanding ordinary shares in the capital of the Company at an offer price per share of € 0.52.
- Dr. Reddy's and OctoPlus also agreed on a business collaboration for the development of a number of injectable Specialty Generics 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 next six months.

#### Locteron

- On July 3, 2012, Biolex filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Middle District of North Carolina. A trustee has been appointed who we expect will sell the company's assets. The proceeds of this potential transaction will be used to satisfy liabilities, which may include debts to creditors and investors. This could result in a buyer moving forward with Locteron in the future.

#### Contract formulation and manufacturing services

- Since the beginning of this year, our fee-for-service business has grown well and continues to do so. Since the middle of the year we have signed contracts with four new customers and one new project with an existing customer, next to signing additional work on existing projects with existing customers.
- For the remainder of the year, we continue to focus on bringing in new contracts and expanding existing contracts, in addition to continue to control our operating costs

#### Outlook

We continue to focus on strengthening our project portfolio to include a well-balanced mix of "fee for service" projects and longer-term contracts where we retain upside in the form of royalties and milestones.

Although the fee-for-service business continues to grow well, we are being negatively impacted by the discontinuation of our work for Biolex and the continued difficult economic environment resulting in longer lead times and price pressure. Yet, we expect that the net result of these factors will generate solid double-digit revenue growth in our fee-for-service activities for the year.

Jan Egberts, CEO of OctoPlus comments: *"The intended public offer is recognition of our hard work over the past years, transforming OctoPlus into a company with a strong position in development and manufacturing of difficult to formulate injectables. We are proud of our recent progress including the generation of a number of new specialty generics over the past year and the significant revenue growth in our Fee for Service business compared to last year. The liquidation of Biolex remains a disappointing set back for Locteron and has negatively impacted our revenue yet the remaining fee-for-service business continues to grow well."*

**For further information, please contact:**

Investor Relations: telephone number +31 (71) 524 1071, or send an e-mail to Investor Relations at [IR@octoplus.nl](mailto:IR@octoplus.nl).

**About OctoPlus**

OctoPlus is a specialty pharmaceutical company focused on the development and manufacture of improved injectable pharmaceuticals based on our proprietary drug delivery technologies that exhibit fewer side effects, improved patient convenience and a better efficacy/safety balance than existing therapies. OctoPlus also focuses on the development of long-acting, controlled release versions of known protein therapeutics, peptides and small molecules, including specialty generics.

The clinically most advanced product incorporating our technology is Locteron<sup>®</sup>, a controlled release formulation of interferon alpha for the treatment of chronic hepatitis C. OctoPlus licensed Locteron exclusively to Biolex in October 2008. Locteron has completed Phase IIb clinical studies with superior clinical data versus current treatment.

In addition, OctoPlus is a leading European provider of advanced drug formulation and clinical scale manufacturing services to the pharmaceutical and biotechnology industries, with a focus on difficult-to-formulate active pharmaceutical ingredients.

OctoPlus is listed on NYSE Euronext in Amsterdam under the symbol OCTO. For more information about OctoPlus, please visit our website [www.octoplus.nl](http://www.octoplus.nl).

*This document may contain certain forward-looking statements relating to the business, financial performance and results of the Company and the industry in which it operates. These statements are based on OctoPlus N.V.'s current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "predict", "estimate", "project", "plan", "may", "should", "would", "will", "intend", "believe" and similar expressions are intended to identify forward-looking statements. We caution investors that a number of important factors, and the inherent risks and uncertainties that such statements involve, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. In the event of any inconsistency between an English version and a Dutch version of this document, the English version will prevail over the Dutch version.*

## **14 Advisors**

### **14.1 Advisors to the Offeror and Dr. Reddy's**

#### *Financial advisors*

Kempen & Co Corporate Finance B.V.  
Beethovenstraat 300  
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Bandra (E)  
Mumbai, India

#### *Legal advisor*

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The Netherlands

### **14.2 Legal advisor to OctoPlus**

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1076 ED Amsterdam  
The Netherlands