



Sun Farmacêutica do Brasil Ltda.
As Sun Pharma Company

Financial statements as of
31 March 2018 and 2017



SUN Farmacêutica do Brasil Ltda.
Financial statements as of
31 March 2018 and 2017

Content

Independent Auditors' Report

Balance Sheet

Profit and Loss Statements

Statements of changes in Shareholders' equity

Statements of Cash Flow

Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To
The Quotaholders and Executive Board of
SUN Farmacêutica do Brasil Ltda.
Goiânia - GO

Opinion

1. We have examined the financial statements of **SUN Farmacêutica do Brasil Ltda.**, which comprise the balance sheet as of March 31, 2018 and the respective statements of operations, changes in quotaholders' equity and cash flows for the year then ended, and other accompanying notes to the financial statements and a summary of significant accounting practices.

2. In our opinion, financial statements referred in paragraph above *represent fairly*, in all material respects, the financial position of **SUN Farmacêutica do Brasil Ltda.** as of March 31, 2018, the performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Base for Opinion

3. Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in accordance with these standards, are described in the following section, "Auditor's responsibility for the audit of the financial statements". We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis

4. During the year ended March 31, 2018, the Company had an unsecured liability scenario over assets of R\$ 117,248. These financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company's management has no intention of discontinuing its operations and, therefore, the financial statements do not include any adjustments to Asset or Liability accounts that might be required in the event of discontinuation of operations. As a mitigating circumstance, therefore, out of the total current and non-current liabilities, R\$ 146,795, 95.85% are borrowings and supplies taken from controlling shareholders or related parties, and the rest of the liabilities with third parties is perfectly supported by current factor liquidity index at 3.56.

Management's responsibility and governance for the financial statements

5. The Company's management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of these financial statements free of material misstatements, regardless of whether caused by fraud or error.

6. In the preparation of the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, disclosing, when applicable issues related to the continuity of its operations and the use of this accounting base in the preparation of the financial statements, unless management has decided to settle the Company or to discontinue its operations, or does not have any realistic alternative to prevent the discontinuance of operations.

7. The ones responsible for the Company's governance are those with responsibility for overseeing the process of preparation of the financial statements.

Auditor's responsibilities for the audit of the financial statements

8. Our purposes are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error and to issue audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted according to the Brazilian and international auditing standards will always detect any material misstatements. The misstatements may result from fraud or error and are considered relevant when, individually or in conjunction, they may affect, from a reasonable standpoint, economic decisions of the users based on such financial statements.

9. As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism during the audit. In addition:

- We identify and evaluate the risks of material misstatements in the financial statements, whether due to fraud or error, plan and perform audit procedures in response to such risks, as well as obtain appropriate and sufficient audit evidence to base our opinion. The risk of not detecting material misstatement caused by fraud is higher than that caused by error, since fraud may involve the act of deceiving the internal controls, collusion, forgery, omission or intentional misrepresentations.
- We obtained understanding of the internal controls relevant to audit in order to plan audit procedures appropriate to the circumstances, but not with the aim to express opinion on the effectiveness of the internal controls of the Company.
- We evaluated the fairness of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.
- We take conclusion on the adequacy of adoption by management of the accounting basis of the ability to continue as going concern, and, based on the obtained audit evidences, whether there is a significant uncertainty in relation to Company's ability to continue as going concern. If we conclude that there is a significant uncertainty, we shall call attention in our audit report to the respective disclosures in the financial statements or include a modification in our opinion, if the disclosures are inadequate. Our conclusions are based on audit evidences obtained to the date of our report. However, future events or conditions may cause the Company not to continue as going concern.
- We evaluate the general presentation, structure and content of the financial statements, including disclosures and if the financial statements represent the corresponding transactions and events in compliance with the purpose of fair presentation.

10. We communicate with those responsible for governance with respect to, among other aspects, the planned scope, time of the audit and significant audit findings, including possible material weaknesses in internal controls identified by us during our work.

São Paulo, May 23, 2018.



Paulo Cesar R. Peppe
Accountant CRC-SP n° 1SP095009/O-5

Hélio Márcio Rodrigues Gomes
Accountant CRC-SP n° 1SP195873/O-2



SUN Farmacêutica do Brasil Ltda.
Financial statements as of
31 March 2018 and 2017

Sun Farmaceutica do Brasil Ltda.

Balance sheet ended as of 31 March 2018 and 31 March 2017

(In Thousands of Brazilian Reais)

Asset	Note	31/Mar-2018	31/Mar-2017	Liability	Note	31/Mar-2018	31/Mar-2017
Current				Current			
Cash and cash equivalents	4	3,665	1,093	Suppliers	9	21,080	32,012
Other investments	4	3,711	3,883	Loan	10	0	0
Accounts receivables from customers	5	6,935	7,120	Taxes and contributions payable	11	1,662	497
Inventories	6	6,365	14,358	Salaries and holiday payable		1,563	1,204
Current tax assets	7	820	2,855	Other provision	12	1,913	873
Other accounts receivable		217	85	Other accounts payable		690	615
Total of current assets		21,713	29,393	Total of current liabilities		26,908	35,200
Non-current				Non-current			
Fixed assets	8	7,818	8,417	Provision for contingencies	13	270	546
Intangible Assets		16	22	Loans	10	119,617	109,268
Total of non-current assets		7,834	8,439	Total of non-current liabilities		119,887	109,814
Net Equity				Net Equity			
Total of assets		29,547	37,832	Share Capital	14	5,573	5,573
				Accumulated losses		-122,821	-112,755
				Total of net equity		-117,248	-107,182
				Total of liabilities and net equity		29,547	37,832

The accompanying notes are an integral part of these financial statements.



SUN Farmacêutica do Brasil Ltda.
Financial statements as of
31 March 2018 and 2017

Sun Farmaceutica do Brasil Ltda.

Statements of Income

Fiscal Years ended as of 31 March 2018 and 31 March 2017.

(In thousands of Brazilian Reais)

	Note	31/Mar-2018	31/Mar-2017
Operating Revenue	15	-55,139	-53,762
Cost of goods sold and services rendered		27,812	36,666
Gross Profit		-27,327	-17,096
Operating expenses			
Sales	16	2,556	1,393
Administrative and General expenses	17	22,600	19,219
Other operating (expenses) income		235	682
Earnings before net financial (expenses) revenue and taxes		-1,935	4,198
Financial expenses		11,142	4,177
Financial revenues		-577	-18,060
Net financial (expenses) revenue	18	10,565	-13,883
Results before taxes		8,630	-9,686
Income tax and social contribution		1,436	0
Currente		1,436	0
Deferred			
Income for the fiscal year		10,065	-9,686

The accompanying notes are an integral part of these financial statements.



SUN Farmacêutica do Brasil Ltda.
Financial statements as of
31 March 2018 and 2017

Sun Farmaceutica do Brasil Ltda.

Statements of changes in stockholders' equity

Fiscal years ended as of 31 March 2018 and 31 March 2017

(In thousands of Brazilian Reais)

	<u>Share Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as of 31 March 2016	5,573	-122,441	-116,868
Income for the fiscal year	<u>0</u>	<u>9,686</u>	<u>9,686</u>
Balance as of 31 March 2017	5,573	-112,755	-107,182
Income for the fiscal year	<u>0</u>	<u>-10</u>	<u>-10</u>
Balance as of 31 March 2018	<u>5,573</u>	<u>-112,765</u>	<u>-107,192</u>

The accompanying notes are an integral part of these financial statements.



SUN Farmacêutica do Brasil Ltda.
Financial statements as of
31 March 2018 and 2017

Sun Farmaceutica do Brasil Ltda.
Statement of Cash Flows - Indirect method
Fiscal years ended as of 31 March 2018 and 31 March 2017
(In thousands of Brazilian Reais)

	Note	31/Mar-2018	31/Mar-2017
Cash flows from operating activities			
Profit and (losses) before taxes		-10,065	9,686
Adjustments for:			
Depreciation		753	506
Amortization		5	7
Perda por desvalorização de ativos		0	2,871
Provision for contingencies		541	986
Provision for doubtful receivables		35	-22
Provision for inventory devaluation		5,064	1,627
Other provision		1,040	446
Unrealized exchange rate variation		4,386	-19,658
Provision for interest - intercompany		4,850	4,086
Result on fixed assets retirement		-32	106
Tax benefit - refund		-3,074	
		<u>3,503</u>	<u>641</u>
(Increase) decrease in assets and and liabilities			
Other Investment		665	1,275
Accounts receivables from customers		185	-2,204
Investories		7,993	1,760
Current tax assets		2,035	-649
Other accounts receivables		-132	-10
Judicial Deposits		-815	0
Taxes and contributions payable		1,165	-363
Salaries and charges payable		360	-400
Suppliers		-10,931	1,306
Other accounts payable		75	850
		<u>599</u>	<u>1,565</u>
		4,102	2,206
Interest paid on loans	18	0	-340
Cash from operations		<u>4,102</u>	<u>1,866</u>
Income tax and social contribution paid on the fiscal year		-1,436	0
Net cash from operating activities		<u>2,666</u>	<u>1,866</u>
Cash flows from investments and financing activities			
Acquisition of fixed assets	8	-266	-229
Net cash used in financing activities		<u>-266</u>	<u>-229</u>
Increase in cash and cash equivalents		<u>2,400</u>	<u>1,637</u>
Statement of cash and cash equivalents reduction			
At the beginning of the fiscal year		4,976	3,339
At the end of the fiscal year	4	<u>7,376</u>	<u>4,976</u>
		<u>2,400</u>	<u>1,637</u>

The accompanying notes are an integral part of these financial statements.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

Explanatory notes to financial statements *(In thousands of Brazilian Reais)*

1 - Operating context

SUN Farmacêutica do Brasil Ltda., founded on April 10, 2002, has its head office in the city of Goiânia - State of Goiás. Its corporate purpose is the manufacture, import, export and trade of pharmaceutical products in general, as well as the import, export and distribution of pharmaceutical supplies, medical devices and similar goods.

The company has a branch in the city of São Paulo - State of São Paulo, with the corporate purpose of Administrative Office.

In November 2014, the shareholders decided by mutual agreement to change the corporate name of the company from TKS Farmacêutica do Brasil Ltda to SUN Farmacêutica do Brasil Ltda, and it henceforth bears the assumed name: SUN Farmacêutica do Brasil Ltda.

1.1 - Management plan for 2017 and 2018

The balance sheet ended as of 31 March 2018 has a negative net worth of R\$ 117.248 MN.

Management believes that these values will be reversed in the coming years, considering the change in the commercial strategy adopted; until then it was used the continuous increase in sales, without taking into account the productive capacity of the head office, causing much loss of sales and consequent space with sales points.

We have created a channel of direct communication with the productive part, where they discussed the production plan for the following 3 months, with the participation of the commercial area, which could possibly result in increased sales.

Another important point is related to the authorization of drug products, as they are in on-going process of approval with the health regulatory agency, 16 new drugs, whose studies reveal that with the approvals, we will create a new marketing channel and the company that will revert the loss accumulated in the coming years.

2 - Presentation of the Financial Statements

The financial statements were prepared in accordance with accounting practices adopted in Brazil and comprise the period from April to March, having their issue authorized by the Board on 08 May 2018.

The Company adopts the Law no. 6.404/76 and its amendments introduced by Law no. 11.638/07, which modified, revoked and introduced new provisions to the Brazilian Companies Law.

The aforementioned law aimed, mainly, to update the Brazilian corporate law to allow the process of convergence of accounting practices adopted in Brazil with those comprised in the International Financial Accounting Standards (IFRS).



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

2a - Restatement of Financial Statements for the year ended March 31, 2017

Aiming at improving existing accounting practices and a better presentation of the accounting balances, the Sun Pharma group opted for the unification of the chart of accounts of the company's existing in Brazil, therefore the opening balances for 2017 were re-classified, and differ from those reported in the financial statements previously submitted for the year ended March 31 , 2017.

The aforementioned change in accounting practices had an impact on the balances as reported in the balance sheet as at March 31, 2017, due to the following reclassifications:

Assets:

- The balance of BRL 37 for Prepaid Expenses, previously included in the specific line "Prepaid Expenses", now became part of the "Other Accounts Receivable" group also in Assets;
- The balance of BRL 21 for Security Deposit, which previously appeared in the line called "Other Credits", now became part of the "Other Accounts Receivable" group also in Assets;
- The balance of BRL55 for Judicial Deposit, which previously appeared in the line " Other Credits ", now became part of the non-current group," Provision for contingencies "in Liabilities;

Liabilities:

- The balance of BRL 448 for accounts payable to service providers, which previously appeared in the line called "Suppliers", now became part of the "Other Accounts Payable" group, also in Liabilities;
- The balances previously reported of BRL 271 for Social Contributions payable , and of BRL 362 for Tax Obligations payable , now comprise the balance of the Taxes and contributions payable , however, the value towards protected on ICMS recoverable for GO State of (BRL 136), is now included in the balance of "Other Accounts Payable", also in Liabilities;
- Reclassified the amount of BRL 8, for alimony payable that previously appeared in the line called "Other Accounts Payable", now became part of the group "Taxes and contributions payable", also in Liabilities;
- Reclassified the amount of BRL 602, for labor contingency and Anvisa legal cases, which previously figured in the line " Other Accounts Payable ", now became part of the "Provision for Contingency" group, in current Liabilities;

Income & Expense Statements

- Reclassified the total amount of BRL 49, for Bank Expenses, previously included in "Financial Expenses" and now transferred to "General Administrative Expenses".
- Reclassified the total amount of BRL 532, for Discounts granted on sales invoices, which was previously included in "Financial Expenses" was now transferred to "Operating Revenue", reducing revenue.
- Reclassified the total amount of BRL 6.483, for Production Personnel expenses, as well as administrative expenses related to production, previously considered as "Revenue operating expenses" to "Cost of goods sold and services".
- We opted for the opening of operating expenses, as demonstrated.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

2.1 Functional currency and presentation currency

The financial statements are presented in Brazilian Real, which is the functional currency of the Company. All financial information presented in Real have been rounded up to the nearest thousands, except where indicated otherwise.

2.2 Use of estimates and judgments

The preparation of financial statements in accordance with the accounting practices adopted in Brazil requires that the Management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and assumptions are reviewed in a continuous way. Revisions with respect to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The information on assumptions and estimates that have a significant risk of result in material adjusting within the next few years are included in the following explanatory notes:

- Note 5 - Provision for doubtful receivables
- Note 6 - Provision for inventory obsolescence
- Note 8 - Review of the of the fixed asset useful life
- Note 13 - Provision for contingencies

3 Summary of Significant Accounting Policies

a. Determination of Net Income

Net income of operations of the company are established in accordance with the accounting of competence of exercises, which covers the period from April to March of each year.

Operating revenues from the sale of products, as well as costs and expenses are recognized in the outcome as a function of its implementation, i.e., when there is convincing evidence that the risks and benefits more significant and inherent to ownership have been transferred to the purchaser.

b. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances in current bank accounts and financial investments of high liquidity. The financial investments are recorded at cost, plus income earned during the financial year, duly regulated by the central bank of Brazil.

c. Accounts receivable from customers

Accounts receivable from customers are initially recorded by the invoiced value, including their direct taxes, tax liability of the Company, minus the taxes withheld at source, of which are considered as tax credits.

The provision for credit losses was made at an amount considered sufficient by the Management to compensate for any losses on the realization of the credits earned more than 12 months and or when identified the inability of recovery.

As provided in the CPC12, adjustment to the present value was not registered by virtue of not having material effect on the financial statements.



d. Inventories

Inventories are stated on the basis of historic cost of acquisition and production, plus expenses relating to transport, storage and non-recoverable taxes. In the case of industrialized products, under elaboration and finished, the inventory includes the manufacturing overheads based on the normal capacity of production. The cost is determined by the weighted average cost. The values of inventories recorded does not exceed the net value of realization. The net realization value , which corresponds to the estimated selling price in the ordinary course of business, less the actual costs of completion and those necessary to make the sale.

e. Fixed asset

• **Fixed assets**

Items of fixed asset (property, plant and equipment) are measured at historic cost of acquisition or construction, less accumulated depreciation and loss of reduction to the recoverable amount (impairment), if applicable.

The cost includes expenditure that is directly attributable to the acquisition of an asset. The cost of assets constructed by the company itself includes the cost of materials and labor, other direct costs to place the asset in the location and condition necessary for these to be capable of operating in the manner sought by the management, the costs of dismantling and restoration of the site where these assets are located.

The improvement in third parties' properties are amortized in accordance with the duration of the lease contract.

Gains and losses on disposal of an item of property, plant and equipment are calculated by comparison between the resources deriving from disposal with the carrying amount of property and are recognized net inside of other revenues in the result.

Other costs are capitalized only when there is an increase in the economic benefits of the item of fixed asset. Any other type of expense is recognized in the result as an expense when incurred.

• **Depreciation**

Depreciation is calculated on the depreciable value, which is the cost of an asset, or other substitute value of the cost minus the residual value.

Depreciation is recognized in the results based on the straight-line method over the estimated useful lives of each part of an item of the fixed asset, since this method is that one that more closely reflects the pattern of consumption of future economic benefits embodied in the asset. Lands are not depreciated.

The estimated useful lives are as follows:

	Years
Machines and equipment	10
Furniture and utensils	10
Informatic equipment	5
Vehicles	5
Improvement in third parties' property	5

The depreciation methods were reviewed, and new rates will be adopted, each closing of the financial year and any adjustments are recognized as changes in accounting estimates.



- **Intangible Assets**

It is valued at cost of acquisition, less accumulated depreciation and losses by reducing the recoverable amount, when applicable.

The intangible asset of the company has defined life, composed by software. The record of depreciation is done in the demonstration of the income statement of the fiscal year, under the heading "Depreciation and amortization".

The estimated useful life for the current fiscal and year is:	Years
Software	10

- **Reduction in the recoverable value of assets**

According to Section 27, NBC TG 1000 - Accounting for small and medium-sized enterprises.

Aims to ensure that the assets are not recorded, accounted for a higher value than the one that can be recovered in time for use of the company's operations or its eventual sale.

f. Current and non-current liabilities

The current and non-current liabilities are demonstrated by the known or calculated estimated plus, when applicable the corresponding charges, monetary variations and/or exchange rate incurred up to the date of the balance sheet.

g. Short-term benefits to employees

Obligations of short-term benefits to employees are measured on an undiscounted basis and are incurred as expenses as the related service is provided.

Provision was made for the payment of bonuses on individual performance and was recognized by the amount expected to be paid under the plans of bonuses on money or participation in profits in the short term if the company has a legal or constructive obligation to pay this value in function of past service rendered by the employee, and the obligation can be estimated reliably.

h. Loans and Financing

The financial charges and the monetary indexations of the loans are accounted for on the basis of the period elapsing, being established in accordance with the terms of the contracts. Composed mainly by contracts aiming at the expansion of production capacity, as well as modernization, as well as to meet working capital needs.

i. Provisions

A provision is recognized in the balance sheet when the company has an obligation or as a result of a past event, and it is probable that an economic resource will be required to settle the obligation. Provisions are recorded taking as a basis the best estimates of the risk involved.

j. Income tax and social contribution

The fiscal year for calculation of income tax is determined by law, and comprises the period counting from January to December, unlike the corporate year depicted in the financial statements, which comprises the period from April to March.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

The income tax and social contribution of current and deferred charges are calculated on the basis of rates of 15%, plus an additional 10% on the taxable profit surplus of R\$ 240 for income tax and 9% on taxable profit for social contribution on net profits and consider the offsetting of tax losses and negative social contribution base, limited to 30% of the real profit.

The current tax is the tax payable or receivable expected on the taxable profit or loss for the year, the tax rates enacted or substantively enacted at the date of presentation of the financial statements and any adjustment to tax payable in relation to previous years.

The Company does not recognize the Income Tax and Social Contribution, of deferred tax assets on tax loss and negative base of social contribution, and also on temporary differences between the tax base of assets and liabilities and their respective accounting value. The deferred active Income Tax and Social Contribution are recognized based on the expected generation of future taxable profits. Deferred tax is measured by the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the date of presentation of the financial statements.

The Company does not have any value recorded with respect to income tax and social contribution deferred during the fiscal year, due to expected generation of future taxable profits.

k. *Financial Instruments*

The financial instruments are only recognized as from the date on which the company becomes part of the contractual provisions of the financial instruments. When recognized, are initially recorded at its fair value plus transaction costs that are directly attributable to the acquisition or contracting. On 31 March 2018, the accounting value of the financial instruments of the company, represented mainly by cash, accounts receivable, accounts payable to suppliers and loans with financial institutions and related companies were equivalent to its market value. The company does not use financial instruments in exchange operations of indices (SWAP) or involving operations in the form of derivatives risk. Other Assets and Liabilities

An asset is recognized in the balance sheet when it is probable that future economic benefits will be generated in favor of the company and its cost or value can be measured with security.

The current and non-current liabilities are demonstrated by the known or calculated values plus, when applicable the corresponding charges and monetary variations incurred up to the date of the balance sheet.

Provisions are recorded taking as a basis the best estimates of the risk involved. The financial statements therefore include various estimates based on objective and subjective factors, based on the judgment of the management for the determination of appropriate values to be recorded. The settlement of transactions involving these estimates may result in divergent values of the recorded in the financial statements due to the inaccuracies inherent to the process of determining them, for which reason the management periodically revise such estimates and assumptions.

Estimates and assumptions are used in the selection of the useful lives of the assets, for the constitution of adjustment for the possible risk of not carrying out their accounts receivable, as well as in the analysis of other risks for the determination of other provisions, including the contingent liabilities and other similar, in addition to the valuation of financial instruments and other assets and liabilities on the balance sheet date.

The realizable rights and obligations are classified as Current when their realization or settlement occur within twelve months following the date of presentation of the financial statements. Otherwise, they are shown as Non-current.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

4 Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Cash	3	3
Banks	3,662	1,090
Other investments (Finac. Investments)	3,711	3,883
Total	<u>7,376</u>	<u>4,976</u>

5 Accounts receivable from customers

Accounts receivable from customers are initially recorded by the invoiced value, including their direct taxes, tax liability of the Company, minus the taxes withheld at source, of which are considered as tax credits.

The provision for credit losses was made at an amount considered sufficient by the Management to compensate for any losses on the realization of the credits earned more than 12 months and or when identified the inability of recovery.

The adjustment related to the recognition of revenue, are due to bills that have been invoiced, dispatched and that on 31 March, had not been received by customers.

	<u>2018</u>	<u>2017</u>
Accounts receivable	11,023	8,041
Other accounts receivable	208	43
(-) Provision f/ doubtful settlement Credits	(878)	(842)
(-) Revenue adjustment recognition	(3,418)	(122)
Total	<u>6,935</u>	<u>7,120</u>

On 31/03/18 the total gross value of trade bills receivable from the company, distributed by maturities as follows:

<u>To mature</u>	<u>R\$</u>	
Within 30 days	6,568	
From 31 to 60 days	3,244	
From 61 to 90 days	22	
Over 91 days	0	
Subtotal		<u>9,834</u>
<u>Matured</u>		
Matured within 30 days	150	
Matured within 60 days	42	
Matured within 90 days	43	
Matured within 180 days	1	
Matured within 365 days	60	
Matured over 365 days	893	
Subtotal		<u>1,189</u>
Overall Total		<u><u>11,023</u></u>



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

6 Inventories

	<u>2018</u>	<u>2017</u>
Products for Resale	9,377	15,826
Adjust Revenue Recognition -Cogs	1,309	67
Raw material	751	760
Packaging materials	426	436
Goods in transit - Goods	1,379	0
Consumables material	324	283
Customs Broker	2	0
Others	89	18
(-) Adjustment Net Val of Realization	(103)	(171)
(-) Adjustment Recoverable Val. Est. Obsolete (b)	(7,189)	(2,861)
Total	<u>6,365</u>	<u>14,358</u>

The balance listed in the accounts identified above as (b) - matured inventories, to mature in the next 6 months and without moving for more than 1 year. Along this year, the company produced based on past due bids, however due to the financial crisis in Brazil, the governments (bidders) did not issue the respective purchases orders, and due to the validity of the product, management has made the adjustment and awaits the approval of Regulatory Health Agency for them to be incinerated.

7 Current tax asset

	<u>2018</u>	<u>2017</u>
ICMS tax recoverable	0	2,324
ICMS on fixed assets	42	28
Pis tax recoverable	84	60
Cofins tax recoverable	381	274
IRPJ recoverable	11	11
CSLL recoverable	27	27
IRF recoverable	229	95
IRPJ recoverable	46	36
Total	<u>820</u>	<u>2,855</u>

The values booked as IRPJ and CSLL were income tax paid in advances to the Tax authorities and are included in the Statement of annual income tax.

8 Fixed assets

According to Section 27, NBC TG 1000 - Accounting for small and medium-sized enterprises. Aims to ensure that the assets are not recorded accounted for a higher value than the one that can be recovered in time for use of the company's operations or its eventual sale. The company has conducted tests of impairment in all its assets and found losses by devaluation.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

Fixed Assets

<u>Descriptions.</u>	Annual rate	Gross Book	2018		2017	
			(-) Accumulated Depreciation	Total	Previous Year	
Land		118	-	118	118	
Buildings	4%	6,501	(2,147)	4,354	4,615	
Installations	10%	1,335	(797)	538	594	
Computer Equipment's	20%	532	(393)	139	111	
Vehicles	20%	420	(185)	235	292	
Plant and Machinery	10%	8,551	(4,487)	4,064	4,303	
Furniture and fixture	10%	347	(183)	164	180	
Tools and devices	20%	756	(506)	250	280	
CWIP		870	-	870	837	
Total of Fixed assets		19,430	(8,698)	10,732	11,330	
Impairment test		-	-	(2,914)	(2,914)	
Net of Fixed Assets		-	-	7,818	8,416	

Cost evolution

<u>Descriptions.</u>	Useful Life	2017		2018	
		Opening Balance	(+) Income	(-) Out	Closing Balance
Land	-	118	-	-	118
Buildings	25	4,615	-	-	4,615
Installations	10	594	-	(5)	594
Computer Equipment's	5	111	71	(17)	111
Vehicles	5	292	54	(108)	292
Plant and Machinery	10	4,303	97	-	4,303
Furniture and fixture	10	180	11	-	180
Tools and devices	20	280	-	(6)	280
CWIP		837	33	-	837
Total of Fixed assets		19,300	266	(136)	19,430

Depreciation Evolution

<u>Descriptions.</u>	Annual Tax rate	2017		2018	
		Opening Balance	(+) Income	(-) Out	Closing Balance
Buildings	4%	1,886	282	(21)	2,147
Installations	10%	746	55	(4)	797
Computer Equipment's	20%	367	32	(6)	393
Vehicles	20%	183	70	(68)	185
Plant and Machinery	10%	4,150	337	-	4,487
Furniture and fixture	10%	157	27	(1)	181
Tools and devices	20%	481	29	(4)	506
Total of Fixed assets		7,970	832	(104)	8,697



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

Impairment Test Evolution

<u>Descriptions.</u>	2017		2018	
	<u>Opening Balance</u>	<u>(+) Income</u>	<u>(-) Out</u>	<u>Previous Year</u>
Buildings	(7)			(7)
Installations	(7)			(7)
Computer Equipment's	(2)			(2)
Plant and Machinery	(2,873)			(2,873)
Furniture and fixture	(23)			(23)
Tools and devices	(7)			(7)
Total of Fixed assets	(2,914)			(2,194)

(a) As per management decision, the plant in Goiania stopped having manufacturing operations w.e.f. Feb 2017. The primary reasons behind this shutdown, was driven by the three following factors:

- ✓ Significantly higher investments were projected as requisites to have more economic levels of production;
- ✓ Underutilization of plant capacity, inefficient machineries and production lines having led to high overheads, and therefore high cost per unit, making the products being manufactured have low margins, rendering them economically unviable;
- ✓ Denial of registration for new products to be manufactured at Goiania plant, also erased the opportunity for further absorption of overheads, and rendering products manufactured here, yield reasonable margins.

9 Suppliers

	2018	2017
Principal	19,024	35,723
Exchange rate	632	(3,761)
Goods In Transit	1,379	-
Others	45	50
Total	21,080	32,012

The outstanding balance in USD towards Sun Pharmaceutical was made up of the 6,328 Mn. The company's exposure to the risk of currency and credit related to suppliers and other accounts payable are disclosed in Note 20 section (v).

10 Taxes and contributions payable

	2018	2017
<i>Social contributions payable</i>		
INSS payable on payroll	218	214
INSS withheld at source	4	8
FGTS on payroll	61	49
PIS/COFINS/CSSL/ISS withheld at source	7	8
Subtotal	290	279



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

	2018	2017
<i>Taxes payable</i>		
Income tax withheld at source	224	203
ICMS on Sales	308	0
(-) Adjustment of ICMS on revenue recognition (a)	(386)	(3)
Provision for ICMS on WO Stock	1,222	0
Others	4	18
Subtotal	1,372	218
Total	1,662	497

(a) The adjustment of VAT (ICMS) is related to revenue recognition of bills income that have been invoiced, dispatched and that on 31 March, had not been received by customers.

11 Labor Obligation to Pay

	2018	2017
Salaries	399	9
13 th Salary and Tax Provision	194	208
Vacation and Tax Provision	970	987
Total	1,563	1,204

12 Other Provisions

	2018	2017
Commission on sales payable (a)	108	85
Bonus payable to personnel	449	649
Expenses with development of new products (b)	893	0
Provisions for returns	347	23
Administrative services payable	116	116
Total	1,913	873

- a) The company uses autonomous Sales Representatives, hired in accordance with the Law no. 4.886, as of 09 December 1965, where they are compensated by a fixed percentage on sales, primary and secondary.
- b) At the end of 2016, the regulatory agency, Anvisa, decided by monocratic decision to update rates from 70% to 300%, as per law it was an abusive increased, the Brazilian pharmaceutical industry trade union, called “Sindusfarma”, decided to file up a security, guaranteeing the collection of fees to the values previous practiced. Through this momentous decision, the Sun administration decided to make provision for the difference of all fees paid along 2017.

13 Contingencies

The company is defendant in lawsuits and in administrative proceedings before various courts and governmental bodies, arising from the normal course of operations, involving tax, labor, civil aspects and other matters.

Management, based on information from their legal advisors, analysis of lawsuits pending and, regarding labor actions, based on previous experience relating to the amounts claimed, made provision in an amount considered sufficient to cover the probable estimated losses with the lawsuits in course, as follows:



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

	2018			2017
	Provision	Judicial Deposit	Net	Net
Labor	1,141	871	270	544
Civil	0	0	0	2
	<u>5,687</u>	<u>682</u>	<u>4,183</u>	<u>546</u>

Lawsuit statuses on the period

	2017		2018		
	Gross initial balance	Addition to provision	Retirement	Judicial Deposit	Final Net Balance
Labor	600	541	0	871	270
Civil	2	0	2	0	0
	<u>602</u>	<u>541</u>	<u>2</u>	<u>871</u>	<u>270</u>

There are other lawsuits assessed by legal advisors as being of possible or remote risk, amounting to BRL 1,141Mn (BRL 508 in 2017) for which no provision was made, bearing in mind that the accounting practices adopted in Brazil does not require their accounting.

a. Summary of labor processes

On 31 March 2018, the Company has 8 cases of labor complaints. In accordance with the legal advisors, 2 cases are classified with risk of probable loss, and other 6 cases are classified with risk of loss as possible and remote. The loss estimate is made, in accordance with the opinion of the advisors, and are duly updated regarding interests and their respective taxes.

b. Summary of civil processes

On 31 March 2018, the Company had a total of 6 cases of claims and complaints involving notices of infractions or questioning from the Anvisa . According to legal advisors, 6 cases are classified as possible and remote losses, which do not form part of the provision. The loss estimate is made, in accordance with the opinion of the legal advisors, and is duly updated regarding interests and their respective taxes.

14 Transaction with Related parties

	Non-current Liabilities	
	2018	2017
Loans		
- Alkaloida Chemical ZRT	119,617	109,268
Total	<u>119,617</u>	<u>109,268</u>

On March 31, 2018, the outstanding balance in US Dollar (US\$) towards Alkaloida was made up of the amount of US\$ 35,988 Mn with an interest rate of 4,29 p.y., normally the amounts due are renegotiated.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

15 Net Equity

Share capital is composed of 5,573,482 shares, being on the nominal value of R\$ 1.00 each, according to the 17th amendment to the Articles of Association, dated of 14 March 2018, which are distributed as follows:

Quota Holder	Country	Quotas	%	R\$
Alkaloida Chemical Company ZRT	Hungary	5.550	99,58%	5,550
Sun Pharma Holdings	India	19	0,35%	19
Sun Pharmaceutical Industries Limited	India	4	0,7%	4
		<u>5.573</u>	<u>100%</u>	<u>5,573</u>

The capital was registered with the Brazilian Central Bank in order to enable the company to transfer profits abroad and to repatriate the foreign capital invested.

16 Operating Revenue

	2018	2017
Resale of goods	61,288	60,063
Resale of samples for bioequivalence	233	43
Tax Benefit	2,541	533
Gross revenue from sales	<u>64,062</u>	<u>60,639</u>
Taxes on sales and resales	(6,541)	(4,347)
Discounts given	(472)	(551)
Sales Returns	<u>(1,910)</u>	<u>(1,979)</u>
(-) Sales Deductions	<u>(8,923)</u>	<u>(6,877)</u>
Operating Revenue	<u>55,139</u>	<u>53,762</u>

The company's sales on the domestic market are currently directed to distributors, networks of pharmacies, distributor hospitals.

17 Expenses with sales

	2018	2017
Sales Commissions	181	330
Sales Campaigns	221	333
Promotional material	81	6
Congress and events (a)	1,040	176
Research Market Service	59	111
Sales Incentive (b)	881	420
Other promotion expenses	<u>93</u>	<u>17</u>
	<u>2,556</u>	<u>1,393</u>

(a) Throughout 2017, Sun Brazil participated in the main congresses and fairs related to Oncological Drugs, aiming to promote the Sun Brazil brand.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

(b) Sales Incentive, paid to the sales team of propagandist who works with promote of Oncological products, together with doctors, clinics and health plans in Brazil, not related of sales. The incentive is measured by the medical visitation system and deal with clinics.

18 General and Administrative Expenses

	2018	2017
Personnel	14,737	13,007
Equipment Maintenance	394	640
Expenses with rents	7	6
Expenses with electricity	277	116
Provision/Expenses with contingencies	580	986
Travel expenses	858	588
Services Provided	304	641
Regulatory Expenses (a)	2,759	862
Quality Control	832	1,280
Taxes and Fees	144	144
Other administrative expenses	950	436
Depreciation and Amortization	758	513
	<u>22,600</u>	<u>19,219</u>

(a) Regulatory expenses are related to the development of new 14 products, of which amounts are spent with a bioequivalence study and pharmaceutical consulting, as well as the provision of Anvisa's rate differences as informed above.

19 Net financial (expenses) revenue

	2018	2017
Financial expenses		
Interests	(4,852)	(4,097)
Passive exchange variations	(6,270)	-
Outros	(20)	(80)
	<u>(11,142)</u>	<u>(4,177)</u>
Financial revenues		
Interests	69	62
Interest on financial investments	508	384
Exchange variations	0	17,599
Outros	0	15
	<u>577</u>	<u>18,060</u>
	<u>(10,565)</u>	<u>13,883</u>

20 Insurance coverage

The company has hired with Tokyo Marine Seguradora no. 180.0000929165, a property insurance, which aims to guarantee covers for possible claims, together with all the addresses of the company in the Brazilian territory. The amounts contracted are considered sufficient to cover possible claims, considering the nature of their activity.



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

On 31 March 2018, the coverage of insurance against operational risks was composed by BRL 22,500 Mn.

21 Financial Instruments

(i) Identification and valuation of financial instruments

The accounting balances of financial instruments such as cash, accounts receivable, taxes, loans and financing, when compared with the values that could be obtained on their negotiation in an active market or, in their absence, with its net present value is adjusted based on the prevailing rate of interest on the market approach, substantially, their corresponding market values.

(ii) Credit risk

It arises from the possibility of the company suffering losses arising from defaults of their counterparts or depositary financial institutions of resources or financial investments. To mitigate these risks, the company adopts as a practice analysis of financial and equity status of its operations, as well as the definition of credit limits and permanent monitoring of open positions. Regarding financial institutions, the Management only carries out transactions with reputable financial institutions and of low risk, assessed by rating agencies.

(iii) Risk of price of the goods sold

It arises from the possibility of oscillation of market prices of products marketed by the company. These price fluctuations can cause substantial changes in their income and their costs. To mitigate these risks, Management permanently monitors the local and international markets, seeking to anticipate the price movements.

(iv) Interest rate risk

It arises from the possibility of the company suffering gains or losses arising from fluctuations in interest rates levied on its financial assets and liabilities. Aiming to mitigate this type of risk, Management seeks to diversify the acquisition of resources in terms of rates fixed or floating.

(v) Exchange rate risk

The associated risk arises from the possibility of the company coming to incur losses due regarding fluctuations in exchange rates, which increase the values obtained on the market. On 31 March 2018 the company had liabilities, denominated in foreign currency, there is no financial instrument to protect this exposure on that date.

	2018	2017
	USD	USD
Suppliers	6,328	8,427
Loans	35,988	20,125
	29,329	28,552

The following exchange rates were applied during the year:

Average Rate		Closure Rate on the date of the Financial Statements	
2018	2017	2018	2017
3.5700	3.2981	3.3238	3.1684



SUN Farmacêutica do Brasil Ltda.
Explanatory notes to financial statements as of
31 March 2018 and 2017

Exchange Rate Sensitivity Analysis

The Company has liabilities linked to foreign currency in the balance sheet as of 31 March 2018, and for the purposes of analysis of sensitivity, adopted as a likely scenario the rate of R\$ 3,60.

Therefore, the table below shows the simulation of the effect of the exchange rate variation in the future outcome in scenarios of increases and reductions:

Exchange Rate Risk	Scenarios (increase)		
	Likely	Possible	Remote
Scenarios and price levels	3.6000	3.7500	4.0000
Passive Position	152,337	158,685	169,264
Total net effect	11	18	29

Exchange Rate Risk	Scenarios (reduction)		
	Likely	Possible	Remote
Scenarios and price levels	3.3238	3.041	2.800
Passive Position	140,650	128,683	118,485
Total net effect	0	-8	-15

(vi) Derivative financial instruments

The company has not used financial instruments in exchange operations of indices (SWAP) or involving operations in the modality of derivatives.

22 Approval of the set of Financial Statements and Explanatory Notes

These financial statements were approved by the Management of Sun Brazil Pharmaceutical Ltda., and authorized for issue on 08 May 2018.

Walter Wiesmueller Coelho Filho
CFO - BRAZIL

Márcio Antônio Neves Júnior
Accountant CRC-GO 022.638/O-4

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