

***SUN PHARMACEUTICAL
INDUSTRIES SAC***

FINANCIAL STATEMENTS

2018 - 2019

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REPORT OF INDEPENDENT AUDITORS

May 13, 2019

To the Shareholders and Directors

SUN PHARMACEUTICAL INDUSTRIES SAC.

We have audited the attached Balance Sheet of SUN PHARMACEUTICAL INDUSTRIES SAC., as on March 31, 2019 with the related Income Statement, Statement of Changes in Equity and Cash Flows for the year then ended; the arrangement of such Financial Statements are the Company's Management responsibility. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Our audit was made in accordance with generally accepted Auditing Standards in Peru. Those standards require that we plan and perform our work in order to obtain reasonable guarantee that the Financial Statements are free of material misstatement. An audit includes an assessment based on selective evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles applied, and the significant estimates made by the Management; as well as evaluating an overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached Financial Statements present fairly, in all material respects, the financial position of the company SUN PHARMACEUTICAL INDUSTRIES SAC., for the year ended March 31, 2019, the results of its operations and cash flows for the year then ended in accordance with the generally accepted Accounting Principles.

Endorsed by:

GAMARRA ANTONIO MEDRANO N.

***Certified Public Accountant
Registration No. 232
Registration No. 28787
Independent Auditor***

SUN PHARMACEUTICAL INDUSTRIES SAC
BALANCE SHEET

(Notes: 1 to 4)
 As on March 31, 2019 and 2018
 Expressed in Soles

| | March 2019 | March 2018 | March 2019 | March 2018 |
|--|-------------------|-------------------|------------------|------------------|
| | Si. | Si. | Si. | Si. |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Bank (note 05) | 1,964,670 | 960,680 | 485,011 | 3,717,956 |
| Trade Accounts Receivable (note 06) | 7,143,543 | 5,399,449 | 14,273,576 | 3,149,568 |
| Other Accounts Receivable (note 07) | 1,525,234 | 283,418 | 5,962,087 | 5,029,612 |
| Stocks (note 08) | 7,684,364 | 4,663,944 | 20,720,674 | 11,897,136 |
| Total Current Assets | 18,317,811 | 11,307,491 | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment (Net of Accumulated Depreciation) (note 09) | 89,630 | 114,925 | 5,881,356 | 5,715,330 |
| Total Non-current Assets | 89,630 | 114,925 | 5,881,356 | 5,715,330 |
| TOTAL ASSETS | 18,407,441 | 11,422,416 | | |
| LIABILITIES, DEFERRED PROFITS AND EQUITY | | | | |
| CURRENT LIABILITY | | | | |
| Trade Accounts Payable (note 10) | | | | |
| Accounts Payable to related party (note 11) | | | | |
| Other Accounts Payable (note 12) | | | | |
| Total Current Liability | | | | |
| NON-CURRENT LIABILITY | | | | |
| Long Term Loan from Related Party (Note 13) | | | | |
| Total Non-Current Liability | | | | |
| TOTAL LIABILITY | 26,602,030 | 17,612,466 | | |
| EQUITY (note 14) | | | | |
| Equity Capital | 4,342,017 | 4,342,017 | 4,342,017 | 4,342,017 |
| Legal Reserves | 103,698 | 103,698 | 103,698 | 103,698 |
| Retained Earnings | (12,640,304) | -10,635,764 | | |
| Total Equity, Reserves & Retained Earnings | -8,194,589 | -6,190,050 | | |
| TOTAL EQUITY AND LIABILITIES | 18,407,441 | 11,422,416 | | |

The accompanying notes are an integral part of the Financial Statements

ASOCIADOS S.C.

SUN PHARMACEUTICAL INDUSTRIES SAC
INCOME STATEMENT

NOTES 1 AND 2

For the Year ended March 31, 2019 and 2018

Expressed in Soles

| | March 2019 | March 2018 |
|---|--------------------|--------------------|
| | S/. | S/. |
| Net Sales | 19,711,163 | 14,982,397 |
| TOTAL GROSS INCOME | 19,711,163 | 14,982,397 |
| Sales Cost | | |
| Sales Cost | (12,633,897) | (9,319,220) |
| GROSS PROFIT | 7,077,266 | 5,663,177 |
| Selling expenses | (2,909,866) | (1,886,386) |
| Administrative expenses | (2,080,155) | (2,700,290) |
| RESULTS FROM OPERATIONS | 2,087,245 | 1,076,501 |
| Other income and expenses | | |
| Exchange Gain / (Loss) - Net | 124,413 | 704,853 |
| Other income | 1,763 | 37,282 |
| financial expenses | (1,144,426) | (295,009) |
| Other expenses | (3,073,534) | (3,007,448) |
| PROFITS BEFORE PARTICIPATION IN PROFITS AND INCOME TAX | (2,004,539) | (1,483,821) |
| PROFIT (LOSS) FOR THE YEAR | (2,004,539) | (1,483,821) |

The accompanying notes are part of the Financial Statements

SUN PHARMACEUTICAL INDUSTRIES SAC

STATEMENT OF CHANGES IN EQUITY

For the years ended on March 31, 2019 and 2018

NOTES 1 and 2

Expressed in Soles

| | Equity Capital | Additional Capital | Revaluation Surplus | Retained Earnings | Legal Reserves | TOTAL |
|--|-------------------|-----------------------|------------------------|----------------------|-------------------|-------------------|
| | S/. | S/. | S/. | S/. | S/. | S/. |
| Opening balance as on April 1, 2017 | 4,342,017 | 0 | 0 | -9,151,944 | 103,698 | -4,706,229 |
| Prior year adjustments | 0 | | | 0 | | 0 |
| Accumulated Reserves | 0 | | | 0 | | 0 |
| Application of transfers to deferred charges | 0 | | | 0 | | 0 |
| Capitalization of equity items | 0 | | | 0 | | 0 |
| Complementing cash contribution | 0 | | | 0 | | 0 |
| Net Income (Loss) of the previous year | 0 | | | 0 | | 0 |
| Net Income (Loss) of the year | 0 | | | -1,483,821 | | -1,483,821 |
| Cancellation of subscribed and unpaid shares | 0 | | | 0 | | 0 |
| BALANCE AS ON March 31, 2018 | 4,342,017 | 0 | 0 | -10,635,765 | 103,698 | -6,190,050 |
| Opening balance as on April 1, 2018 | 4,342,017 | 0 | 0 | -10,635,765 | 103,698 | -6,190,050 |
| Prior year adjustments | 0 | | | 0 | | 0 |
| Accumulated Reserves | 0 | | | 0 | | 0 |
| Application of transfers to deferred charges | 0 | | | 0 | | 0 |
| Capitalization of equity items | 0 | | | 0 | | 0 |
| Complementing cash contribution | 0 | | | 0 | | 0 |
| Net Income (Loss) of the previous year | 0 | | | 0 | | 0 |
| Net Income (Loss) of the year | 0 | | | -2,004,539 | | -2,004,539 |
| Cancellation of subscribed and unpaid shares | 0 | | | 0 | | 0 |
| BALANCE AS ON March 31, 2019 | 4,342,017 | 0 | 0 | -12,640,304 | 103,698 | -8,194,589 |

The accompanying notes are an integral part of the Financial Statements

SUN PHARMACEUTICAL INDUSTRIES SAC

Statement of Cash Flows (Note 2)

For the years ended as on March 31, 2019 and 2018

| | March 2019 | March 2018 |
|---|-------------------------|-----------------------|
| | S/. | S/. |
| OPERATING ACTIVITIES | | |
| Collection | 21,110,340 | 13,968,713 |
| Other incomes | 1,763 | 37,283 |
| Payments to suppliers | -9,625,918 | -12,846,711 |
| Payments of salary and social benefits | -2,109,984 | -2,247,817 |
| Payments of taxes | -327,257 | -316,380 |
| Other payments | -43,222 | -135,222 |
| Net cash flow (used in)provided by operating activities | <u>9,005,722</u> | <u>-1,540,134</u> |
| INVESTING ACTIVITIES | | |
| Acquisitions of property, plant and equipment | - | - |
| Net Cash flow used in investing activities | <u>-</u> | <u>-</u> |
| FINANCING ACTIVITIES | | |
| Borrowing from shareholder | - | - |
| Borrowing from FZE | - | 2,501,730 |
| Amortization of borrowings | - | - |
| Net cash provided by (used in) financial activities | <u>-</u> | <u>2,501,730</u> |
| Exchange differences, net | - | - |
| (Decrease) increase in cash | 1,003,990 | 312,420 |
| Cash and cash equivalents at beginning of period | 960,680 | 648,260 |
| Cash and cash equivalents at final of period | <u><u>1,964,670</u></u> | <u><u>960,680</u></u> |

The accompanying notes are part of the Financial Statements

ASOCIADOS S.C.

SUN PHARMACEUTICAL INDUSTRIES SAC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 & 2018

03. OBJECTIVE, ACTIVITIES AND LEGAL ASPECT

The name of the company was change to SUN PHARMACEUTICAL INDUSTRIES SAC., (from Ranbaxy PRP (Peru) SAC), Modified according to archived title N° 1845450 of 10/17/2016 and complying with the legal formalities and in accordance with the General Law of Commercial Companies duly registered in the Legal Registries of Lima, on January 05, 2000 In heading No. 11145794 and amendments.

The main activity of the company is devoted to the commercialization of pharmaceutical products.

Within the corporate purpose acts related to the activities described in the preceding paragraphs that contribute to its goals achievement are included. To comply with the corporate purpose, the company may perform all legal acts and contracts without restriction or limitation.

The activity of SUN PHARMACEUTICAL INDUSTRIES SAC,, is governed by the New General Law of Commercial Companies and as provided in the ARTICLES and rules of incorporation and amendments.

04. SIGNIFICANT ACCOUNTING POLICIES

The principles and significant accounting policies applied for registration of operations and arrangement of Financial Statements are as follows:

- a) *The preparation and Financial Statements in accordance with generally accepted accounting principles in Peru, requires Management to make estimates and assumptions to determine the amounts of assets and liabilities and the amounts of revenues and expenses, and of contingent assets and liabilities at the date of the financial statements. If these estimates and assumptions vary in the future as a result of changes in circumstances and conditions under which they were based, the effect of such changes is recognized in profit or loss at the time such changes are identified and their effects. The main estimates related to financial statements correspond: i) estimate of allowance for doubtful accounts; ii) allowances for impairment of inventories; iii) estimate of useful life assigned to property, plant and equipment; iv) the recoverability of income tax.*

- b) Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any. The initial cost comprises its purchase price, and any other costs directly attributable to locating and rendering the assets fit to use. Disbursements incurred after assets have been put to use, such as repairs and the cost of maintenance and refurbishment are charged to results of period in which the costs are incurred. If it can be demonstrated clearly that such disbursement will result in future benefits deriving from use assets beyond their original performance standard, these are capitalized as an additional cost to assets. Repairs and maintenance costs are recognized in the results of period as incurred. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit and loss when the asset is derecognized.
- c) Foreign currency transactions: Functional currency and presentation currency, Company prepares and presents its financial statements in Soles, which corresponds to its functional currency. The functional currency corresponds to primary economic environment in which the Company operates. Transactions and balances, transactions in currencies other than the functional currency are translated into the functional at the exchange rate prevailing at the date of the transactions. Differences due to adjustment of balances of assets and liabilities in foreign currencies, recorded at exchange rate when operations arise and exchange rate at the date of balance sheet are recognized in the results of period.

05. CASH AND BANKS.

This item consists of:

As on
 31 MARCH
 In Soles

| <u>DETAIL</u> | <u>2019</u> | <u>2018</u> |
|---------------|------------------|----------------|
| Cash | 2,240 | 1,011 |
| Bank | <u>1'962,430</u> | <u>959,669</u> |
| | <u>1'964,670</u> | <u>960,680</u> |

06. TRADE ACCOUNTS RECEIVABLE

This item includes:

| | As on 31 MARCH In Soles | |
|---|-------------------------------|------------------|
| DETAIL | 2019 | 2018 |
| Trade Accounts Receivable: | | |
| Portfolio issued Invoices (National currency) | 9'152,298 | 7'210,284 |
| Minus: | | |
| Allowance for Doubtful Accounts Receivable | (2'008,755) | (1'810,835) |
| | <u>7'143,543</u> | <u>5'399,449</u> |

07. OTHER ACCOUNTS RECEIVABLE

This item includes:

| | As on 31 MARCH In Soles | |
|----------------------------|-------------------------------|----------------|
| DETAIL | 2019 | 2018 |
| Rent deposit | 67,224 | 65,359 |
| Expenses Advance | 5,922 | 8,919 |
| Advances paid | 22,700 | 120,461 |
| Taxes (sales) | 63,143 | 60,819 |
| Customs duties payments | 1,258 | 2,910 |
| Other assets by tax credit | 1'346,401 | 0 |
| Other payments | 18,586 | 24,950 |
| | <u>1'525,234</u> | <u>283,418</u> |

08. STOCKS

This item includes:

| | As on 31 MARCH In Soles | |
|---------------------------------|-------------------------------|------------------|
| DETAIL | 2019 | 2018 |
| Finished goods (valued at cost) | 7'673,232 | 4'374,582 |
| Stock in transit | 55,061 | 357,104 |
| Devalued provision of existence | (43,929) | (67,742) |
| | <u>7'684,364</u> | <u>4'663,944</u> |

09. PROPERTY, PLANT AND EQUIPMENT

An important part of the Financial Statements that consists of:

| TYPE OF ASSETS | COSTS | CUMULATIVE DEPRECIATION | As on 31 MARCH In Soles | |
|------------------------|----------------|----------------------------|-------------------------------|----------------------|
| | | | 2019 NET VALUE | 2018 NET VALUE |
| Transport units | 60,845 | (43,606) | 17,239 | 29,408 |
| Furniture and Fixtures | 72,447 | (27,264) | 45,183 | 52,523 |
| Diverse equipment | 103,106 | (75,898) | 27,208 | 32,994 |
| | <u>236,398</u> | <u>(146,768)</u> | <u>89,630</u> | <u>114,925</u> |

10. TRADE ACCOUNTS PAYABLE

Formed by:

| DETAIL | As on 31 MARCH In Soles | |
|------------------------------------|-------------------------------|------------------|
| | 2019 | 2018 |
| Bills payable in national currency | <u>485,011</u> | <u>3'717,956</u> |
| | <u>485,011</u> | <u>3'717,956</u> |

11. ACCOUNTS PAYABLE RELATED

Formed by:

| DETAIL | As on 31 MARCH In Soles | |
|------------------------------------|-------------------------------|------------------|
| | 2019 | 2018 |
| Foreign entities: | | |
| Sun Pharmaceutical Industries Ltd. | <u>14'273,576</u> | <u>3'149,568</u> |
| | <u>14'273,576</u> | <u>3'149,568</u> |

12. OTHER MISCELLANEOUS ACCOUNTS PAYABLE

This item consists of:

| <u>DETAIL</u> | As on 31 MARCH In Soles | |
|--|-------------------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| | Taxes (sales) | (32,129) |
| Customs duties | 0 | 34,204 |
| Fifth category income | (31,909) | (24,049) |
| Temporary taxes | (2,560) | 24,123 |
| Payments to Public Institutions | (33,136) | (40,231) |
| Payments to Pension Fund | (111,199) | (261,073) |
| Other payment for paid to employee | (164,764) | (99,625) |
| Other payables | (3'482,240) | (5'272,297) |
| Tax rent | (108,812) | 218,034 |
| Accounts payable to shareholders and Directors | (1'826,550) | 0 |
| Miscellaneous Payments to Accounts Payable | (168,788) | 0 |
| | <u>(5'962,087)</u> | <u>(5'029,612)</u> |

13. LONG TERM LOAN

This item consists of:

| <u>DETAIL</u> | As on 31 MARCH In Soles | |
|---------------|-------------------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| | Loan from Related Party | 5'881,356 |
| | <u>5'881,356</u> | <u>5'715,330</u> |

14. EQUITY

Formed by:

| <u>DETAIL</u> | As on 31 MARCH In Soles | |
|-------------------------|-------------------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| | Equity Capital | 4'342,017 |
| Legal Reserves | 103,698 | 103,698 |
| Retained Earnings | (10'635,765) | (9'151,944) |
| Net Income for the Year | <u>(2'004,539)</u> | <u>(1'483,821)</u> |
| | <u>(8'194,589)</u> | <u>(6'190,050)</u> |

At the time of its founding, in 2000, the Company had S/.4'342,017 Soles as Equity, which after its Accounting formalization, and according to the March 2018 Balance Sheet, still remained at S /. 4'342,017 Soles, representing 4'342,017 units of common shares and a nominal value of one Nuevo Sol (S / .1.00) for each share.

According to the 2019 Balance Sheet the Equity is still comprised of S /. 4'342,017 soles, representing 4'342,017 units of common shares with a nominal value of one Nuevo Sol (S / .1.00) for each share.

15. INCOME TAX

Through the Consolidated Text of Income Tax Law, Supreme Decree No. 179-2004-EF and amendments, rules are established as approved by Supreme Decree No. 054-99-EF, hereinafter TUO (for its acronym in Spanish) and related standards regulating the Income Tax, as amended by Law No. 27356, 27386 and 27394 and Law No. 27513 and 27615. This standard has been regulated by Supreme Decree No. 122-94-EF, modified by SD 194-99-EF and S.D. 045-2001-EF. and Superintendency Resolution No. 011-2018 / Sunat and Superintendency Resolution No. 069-2018 / Sunat. and Superintendency Resolution No. 015-2019 / sunat approving the provisions and forms for the annual tax return for income tax and taxes on the financial transactions of the taxable year 2018 basis that is taken for the closing of the financial statements to March 2019.