SUN Farmacêutica do Brasil Ltda.

Financial Statements

as on March 31, 2017 and 2016

Content

INDEPENDENT AUDITORS' REPORT

To the Members and Executive Board of
SUN Farmacêutica do Brasil Ltda.
Goiânia - State of Goiás

Opinion

1. We have examined the financial statements of **SUN Farmacêutica do Brasil Ltda.**, which comprise the balance sheet as of March 31, 2017 and the respective statements of operations, changes in quotaholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other accompanying notes to the financial statements.

2. In our opinion, based on our examinations, financial statements referred to in the first paragraph ***represent fairly***, in all material respects, the financial position of **SUN Farmacêutica do Brasil Ltda.** as of March 31, 2017, 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 **-** CFC, 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, 2017, the Company had an unsecured liability scenario over assets of R$ 107,182. 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$ 145,069, 97.36% 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 7.68%.

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 15, 2017.

PEPPE ASSOCIADOS
Consultores & Auditores Independentes

Enrolled with the Regional Accounting Board - São Paulo Chapter ("CRC-SP") under No. 2SP021055/O-1

Paulo Cesar R. Peppe Enrolled with the Regional Accounting Board - São Paulo Chapter ("CRC-SP") under No. 1SP095009/O-5	**Helio Marcio Rodrigues Gomes** Enrolled with the Regional Accounting Board - São Paulo Chapter ("CRC-SP") under No. 1SP195873/O-2

SUN PHARMA

SUN Farmacêutica do Brasil Ltda.

Balance Sheet
Fiscal Years ended on March 31, 2017 and 2016
(in Thousands of Reais)

ASSETS	Notes	2017	2016
CURRENT			
Cash and cash equivalents	4	4,976	3,339
Accounts receivable from customers	5	7,119	4,715
Stock	6	14,358	16,118
Taxes recoverable		2,855	2,206
Prepaid expenses		37	27
Other credits		83	279
Total current assets		**29,428**	**26,684**
NON-CURRENT			
Long-term Receivables			
Other credits		21	52
		0,021	**0,052**
Property, Plant and Equipment	7	8,416	12,383
Intangible Assets	8	22	31
		8,438	**12,414**
Total non-current assets		**8,459**	**12,466**
Total Assets		**37,887**	**39,150**

LIABILITIES	Notes	2017	2016
CURRENT			
Loans and financing	9	-	340
Suppliers	10	32,460	31,154
Social charges	11	271	283
Tax obligations	12	362	310
Labor Obligations	13	1,195	1,598
Other accounts payable	14	1,513	663
Total current liabilities		**35,801**	**34,348**
NON-CURRENT			
Long-term Liabilities			
Loans and financing		-	-
Obligations towards related parties	15	109,268	121,562
Other long-term obligations		-	108
Total non-current liabilities		**109,268**	**121,670**
NET EQUITY			
Capital stock	16	5,573	5,573
Accumulated losses		(112,755)	(122,441)
Total net equity		**(107,182)**	**(116,868)**
Total Liabilities and Net Equities		**37,887**	**39,150**

The explanatory notes are an integral part of the Financial Statements

SUN Farmacêutica do Brasil Ltda.

Profit and Loss Statement
Fiscal Years ended on March 31, 2017 and 2016
(in Thousands of Reais)

		2017	2016
Net operating revenues	19	**53,760**	**32,954**
(-) Costs for products sold		**(30,183)**	**(32,379)**
Net profit		**23,577**	**0,575**
Operating expenses and revenues		(22,736)	(13,831)
Administrative and commercial expenses Other operating revenues		(4,458)	(1,864)
Earnings before financial expenses and revenues		**(3,617)**	**(15,120)**
Financial expenses and revenues			
Financial expenses	20	(4,758)	(17,195)
Financial revenues	20	18,061	144
Total financial expenses and revenues		**13,303**	**(17,051)**
Earnings before income tax and social contribution		**9,686**	**(32,171)**
Net profit / loss of the fiscal year		**9,686**	**(32.171)**
Amount of capital units of interest		**5,573**	**5,573**
Result per unit of interest (R$)		**1.74**	**(5.77)**

The explanatory notes are an integral part of the Financial Statements

SUN Farmacêutica do Brasil Ltda.

Statement of Changes in Shareholders' Equity
Fiscal Years ended on March 31, 2017 and 2016
(in Thousands of Reais)

			Accumulated	
		Paid-up Capital Stock	**Income**	**Total**
Balance on Monday, March 31, 2015		**5,573**	**(90,270)**	**(84,697)**
Net result of the fiscal year ended on 3/31/2016	**-**		(32,171)	**(32,171)**
Other Comprehensive Income				
- None	-	-	**-**	
Balance on Monday, March 31, 2016		**5,573**	**(122,441)**	**(116,868)**
Net result of the fiscal year ended on 3/31/2017		**-**	9,686	**9,686**
Other Comprehensive Income				
- None		-	-	**-**
Balance on 31 March, 2017		**5,573**	**(112,755)**	**(107,182)**

The explanatory notes are an integral part of the Financial Statements

SUN Farmacêutica do Brasil Ltda.

Cash Flow Statement
Fiscal Years ended on March 31, 2017 and 2016
(in Thousands of Reais)

	2017	2016
Cash flow from operations:		
Earnings before income tax and social contribution	9,686	(32,171)
Items not affecting the cash:		
Write-off of fixed assets	133	77
Depreciations and amortizations	1,201	1,198
Impairment Test adjustment	2,871	43
Provision for Contingency and others expenses	512	90
Exchange variation not realized and Interest not current	(9,325)	18,367
	5,078	**(12,396)**
Variations to the Current Assets and Long-term Receivables		
Accounts receivable from customers	(2,404)	(1,795)
Stock	1,760	(9,958)
Taxes recoverable	(649)	(2,021)
Prepaid expenses	(10)	-
Other credits	196	732
Other credits – non-current	31	-
	(1,076)	**(13,042)**
Variance in the Current Liabilities and Long-term Liabilities		
Suppliers	1,306	21,654
Social charges	(415)	1,068
Tax obligations	52	(725)
Other accounts payable – current / non-current	230	274
	1,173	**22,271**
Total Operating Activities	**5,175**	**(3,167)**
Investment Activities		
Acquisition of intangible assets	-	-
Acquisition of fixed assets	(229)	(1,949)
Total Investment Activities	**(229)**	**(1,949)**
Financing Activities		
Loans and financing - current liabilities	(340)	(170)
Loans and financing - non-current liabilities	-	-
Related parties	(2,969)	6,088
Net Funds Used in Financing Activities	**(3,309)**	**5,918**
Total Cash Flow Effects	**1,637**	**802**
Cash and Cash Equivalents Variance		
Final cash and cash equivalents balance	4,976	3,339
Opening cash and cash equivalents balance	3,339	2,537
Cash Variance	**1,637**	**802**

The explanatory notes are an integral part of the Financial Statements

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 share holders 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.

2 - Presentation of the Financial Statements

The financial statements have been drawn up in accordance with the Brazilian Accounting Standards, in compliance with NBC TG 1000 - Accounting for Small and Mid-size Companies, Resolution 1255/09 of the Federal Accounting Board - CFC, as well as, where applicable, with regard to the other CFC Resolutions applicable to the CPC Pronunciations and, where applicable, with due regard for the aspects of Law No. 11.638/07 and Law No. 11.941/09 and recently of Law No. 12.973/2013.

The amounts presented in the statements are expressed in Reais and a result of the accumulation of par values, in accordance with the accounting practices described in explanatory Note No. 3.

The Company has adopted Law No. 6404/76 and its amendments introduced by Law No. 11.638/07 that modified, revoked and introduced new provisions to the Business Corporation Act. Such law principally aimed at updating the Brazilian corporate law in order to allow for the convergence process of the Brazilian accounting practices with those contained in the International Financial Reporting Standards (IFRS).

3 - Summary of the Principal Accounting Practices

a. Ascertainment of the results

The results of the company's operations are ascertained in accordance with the accounting method of the fiscal years. The product sales revenue, as well as costs and expenses are recognized in the result due to its realization.

(in Thousands of Reais)

b. Cash and Cash Equivalents

Cash and cash equivalents include money in cash, balances on checking accounts and high-liquidity financial short-term investments that are promptly convertible into a known amount of cash and bear an insignificant risk of change of market value. The financial investments are booked at cost, whereby the earnings made during the fiscal years are added, and although transactions were made in the period, at the closing date in March 2017, no balances were outstanding.

c. Financial Instruments

The financial instruments are only recognized from the date on which the company becomes part of the contractual provisions of the financial instruments. When recognized, they are initially booked at their fair value plus transaction costs that are directly attributable to their being acquired or taken out. On March 31, 2017, the book value of the financial instruments of the company, represented mainly by availabilities, accounts receivable from customers, accounts payable to suppliers and loans taken out from financial institutions and affiliates, are equivalent to their market value. The company does not make use of financial instruments in index exchange (SWAP) transactions or that involve Risk Derivatives transactions.

d. Conversion from Foreign Currencies

The Management of the company has defined that its functional currency is the Real, in accordance with the standards described in NBC TG 1000 - Accounting for Small and Mid-size Companies, Section 30 - Effects on the Changes in Exchange Rates and Conversion of Financial Statements.

Transactions in foreign currency, that means all those that are not carried out in the functional currency, are converted according to the exchange rate on the dates of each transaction. Monetary liabilities expressed in a foreign currency are converted to the functional currency according to the exchange rate on the closing date. The gains and losses due to exchange rate variations concerning the monetary assets and liabilities are recognized in the profit and loss statement.

e. Accounts Receivable from Customers

The accounts receivable from customers are assessed at the billed amount, including the respective taxes, and deducted from the adjustment to cover potentially non-performing credits from those accounts receivable.

The adjustment for doubtful loans is set forth based on the balance of securities overdue for over 6 months. The management of the company creates adjustments for doubtful loans only in order to cover risks of potential losses; therefore, this does not reflect the absolute incapacity of receipt. The balance on the date of the balance sheet is considered sufficient to cover potential losses when realizing amounts receivable from customers and other credits, taking into consideration the analysis of the outstanding transactions, of the existing bonds and of the specific risks presented.

f. Stock

The expenses for material purchases are controlled in the stock at average cost and do not exceed the replacement cost or the net realizable value. The stock costs for products being processed and finished products include, in addition to the average costs of the used raw material, the general manufacturing expenses as well as labor in the processing, and the depreciation charges of the machines used in the process according to the absorption criterion.

g. Property, Plant and Equipment

The fixed assets are booked at acquisition or construction cost, net of accumulated depreciations. The depreciations are calculated according to the straight-line method over the acquisition or construction cost, in accordance with the estimated useful life time of the assets, depending on their usage, in accordance with the rates disclosed in explanatory Note No. 8. Gains and losses in disposals are determined by the comparison of the sales amounts with the book values and are booked as other Operational revenues/ expenses.

Repair and maintenance costs are expensed during the period in which they are incurred. The costs of the principal acquisitions is included in the book value of the asset in the moment when is probable that the future economic benefits that exceed the performance standard initially assessed for the existing asset will flow towards the company. The principal renovations are depreciated during the remaining useful life of the related asset.

h. Intangible Assets

Made up of amounts spent on trademark and patent and on the acquisition of software licenses of use. The latter have been amortized at an annual rate of 20%.

i. Reduction of the Recoverable Amount of the Assets - Section 27, NCB TG 1000 - Accounting for Small and Mid-size Companies

Aims at ensuring that the assets are not booked at a value higher than the one that will be recovered in time by the use of the operations of the entity or in its potential sale. The company deemed that it would not be necessary to conduct impairment tests and, therefore, losses due to recognizable devaluation were not ascertained.

j. Loans and Financing

Financial charges and inflation adjustments of the loans are booked depending on the time elapsed and ascertained in accordance with the terms of the contracts. Mainly made up of contracts aiming at the extension of the production capacity, as well as at modernization and in order to meet working capital needs.

k. Labor Provisions and Charges

On the balance date, the provision for vacations was made based on the rights acquired by the employees, including the corresponding social charges.

(in Thousands of Reais)

I. Income Tax and Social Contribution

The corporate income tax and the social contribution are calculated based on net profit, and suspended or reduced, for which the applicable legislation is considered for calculation purposes and the rates of 15% plus 10% on the calculation base excessive of R$ 240,000 for income tax and 9% for the social contribution are applied. In view of the losses of the fiscal year, the company did not pay taxes.

m. Other Assets and Liabilities

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

The current and non-current liabilities are stated at their known or calculable values plus, where applicable, the corresponding charges and monetary variations until the date of the balance sheet.

The provisions are recorded based on the best estimates of the risk involved. The financial statements, thus, include various estimates based on objective and subjective factors, depending on the judgment of the management for the determination of adequate values to be booked. The settlement of transactions involving such estimates may result in amounts diverging from those booked in the financial statements due to imprecision inherent to the value determination process, which is why the management periodically reviews such estimates and premises.

Estimates and premises are used in the selection of the useful lives of the property, plant and equipment for the creation of the adjustment to the potential risk that their accounts receivable might not be realized, as well as in the analysis of the other risks for the determination of other provisions, including for contingent and other similar liabilities, in addition to the assessment of the financial instruments and other assets and liabilities on the date of the balance sheet.

The realizable rights and liabilities falling due are classified as Current when their realization or settlement occurs within the twelve months subsequent to the date on which the financial statements are presented. Otherwise, they are stated as Non-current.

4 *Cash and Cash Equivalents*

	2017	**2016**
Cash in hand	3	1
Banks - Deposit account	1,090	644
Highly Short Term Investment	3,883	2,694
Total	**4,976**	**3,339**

(in Thousands of Reais)

5 *Accounts Receivable from Customers*

	2017	2016
Accounts receivables - Domestic	8,083	5,644
(-) Provision for Doubtul Debts	(842)	(865)
(-) Adjustment of revenue recognition	(122)	(64)
Total	**7,119**	**4,715**

As on 3/31/2017, the total gross value of the accounts Receivable of the company was distributed by due dates:

Outstand	**BRL**	
Within up to 30 days	4,804	
between 31 and 60 days	2,013	
between 61 and 90 days	11	
Sub-total		**6,828**
Overdue		
Within up to 30 days	291	
between 31 and 60 days	42	
between 91 and 180 days	43	
180 days and more	37	
More than 365 days	842	
Sub-total		**1,255**
Total		**8,083**

6 *Stock*

	2017	2016
Finished Goods	15,826	8,225
Adjustment of revenue recognition - Cogs	67	39
Raw material	760	4,243
Packing material	436	584
Work in progress	-	840
Goods in transit	-	3,294
Consumption material	283	243
Third party inventory	-	413
Others	18	11
(-) Adjustment of net realization value	(171)	-
(-) Provision for written off stock (a)	(2,861)	(1,774)
Total	**14,358**	**16,118**

The balance stated in the accounts above identified as (a) – Expired stock or short expired in the next 6 months and products slow moving. The management has made the adjustment and awaits the authorization of the National Health Surveillance Agency ("Anvisa") so that they can be burnt.

(in Thousands of Reais)

7 *Fixed Assets*

Description	Annual rate	Gross Value	(-) Accumulated Deprec.	2017 Total	2016 Balance Previous
Lands		118	-	118	118
Buildings	4%	6,501	(1,886)	4,615	4,875
Facilities	10%	1,212	(656)	556	740
Computers and IT Equipment	20%	478	(367)	111	174
Vehicles	20%	474	(182)	292	175
Plant and Machinery	10%	8,454	(4,151)	4,303	4,876
Furniture and Fixture	10%	336	(156)	180	213
Administrative Facilities	10%	128	(90)	38	50
Tools and devices	20%	762	(482)	280	356
Capital working in Progress		837	-	837	849
Subtotal Property Plant / Equipment		**19,300**	**(7,970)**	**11,330**	**12,426**
Impairment test		**-**	**-**	**(2,914)**	**(43)**
Total Property Plant and Equipment		**-**	**-**	**8,416**	**12,383**

The development of the balances of the fixed assets accounts in the period from April 1, 2016 to March 31, 2017 was as follows:

Details

Description	Gross Value				
	Useful Life (in years)	Opening Balance	(+) In	(-) Out	balance 03/2017
Lands	-	118	-	-	118
Buildings	25	6,501	-	-	6,501
Facilities	10	1,320	-	(108)	1,212
Computers and IT equipment	5	482	1	(5)	478
Vehicles	5	312	162	-	474
Plant and Machinery	10	8,389	65	-	8,454
Furniture and Fixture	10	342	-	(6)	336
Administrative Facilities	10	128	-	-	128
Tools and Devices	20	772	1	(11)	762
Capital working in Progress	-	849	-	(12)	837
Total of Property; Plant and Equipment		**19,213**	**229**	**(142)**	**19,300**

(in Thousands of Reais)

Details

Description	Annual Rate	Accumulated Depreciation Opening Balance	(+) In	(-) Out	Balance 03/2017
Buildings	4%	1,626	260	-	1,886
Facilities	10%	580	76	-	656
Computers and IT Equipment	20%	307	60	-	367
Vehicles	20%	137	46	-	183
Plant and Machinery	10%	3,513	646	(9)	4,150
Furniture and Fixture	10%	129	28	-	157
Administrative Facilities	10%	79	11	-	90
Tools and Devices	20%	416	65	-	481
Total Depreciation		**6,787**	**1,192**	**(9)**	**7,970**

Details

Descriptions	Opening Balance	Impairment Test (+) In	(-) Out	Balance 03/2017
Facilities	(7)	-	-	(7)
Computers IT Equipment	(2)	-	-	(2)
Vehicles	(2)	-	-	(2)
Plant and Machinery (a)	(2)	-	(2,871)	(2,873)
Furniture and Fixture	(23)	-	-	(23)
Administrative Facilities	(7)	-	-	(7)
Impairment Total	**(43)**	**-**	**(2,871)**	**(2,914)**

(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.

(in Thousands of Reais)

8 *Intangible Assets*

Description	Annual. Rate	Infl.adj. Cost	(-) Accumulated Amortization	2017 Total	2016 Previous Balance
Software	20%	112	(98)	14	23
Trademarks and Patents		8	-	8	8
Total Intangible Assets		**120**	**(98)**	**22**	**31**

The development of the balances of the intangible asset accounts in the period from April 1, 2016 to March 31, 2017 was as follows:

Details

		Gross Book			
Description	**Useful Life (in years)**	**Opening balance**	**(+) In**	**(-) Out**	**balance 03/2017**
Software	5	112	-	-	112
Trademarks and Patents	-	8	-	-	8
Total Intangible Assets		**120**	**-**	**-**	**120**

Details

		Accumulated Depreciation			
Description	**Annual Deprec. Rate**	**Opening Balance**	**(+) In**	**(-) Out**	**Balance 03/2017**
Software	20%	89	9	-	98
Total Depreciation		**89**	**9**	**-**	**98**

9 *Loans and Financing*

			2017		2016	
Domestic Institutions	**Maturity**	**Charges**	**Current**	**No Current**	**Current**	**No Current**
Banco do Brasil S.A.	12/1/2016	100% p.y.	-	-	340	-
Loans and Financing			-	-	**340**	-

Destination of the funds raised in national currency

The funds raised from Banco do Brasil S.A. are mainly destined for the acquisition of equipment and extension and modernization works of the production. The contracts represented by an Industrial Credit Bill (Constitutional Funds, CF) are secured by properties owned by partners of SUN Farmacêutica do Brasil Ltda. Payment has been made on November, 2016.

(in Thousands of Reais)

10 *Suppliers*

	2017	2016
Intercompany - Principal	35,723	24,909
Intercompany – Exchange Rate	(3,754)	2,498
Intercompany – In Transit	-	3,294
Others	491	453
Total	**32,460**	**31,154**

The outstanding balance in US Dollar (US$) towards SunPharmaceutical was made up of the amount of US$ 10,089 Mn.

11 *Social Charges Obligations*

	2017	2016
Provident Funds (INSS)	214	231
Pension Funds (FGTS)	49	52
Others	8	-
Total	**271**	**283**

12 *Tax Obligations*

	2017	2016
Withholding tax on payroll	203	182
Tax benefit – Produzir Program	121	121
Tax benefit – called “ Protege”	16	-
Others	22	7
Total	**362**	**310**

13 *Labor Obligations*

	2017	2016
Salarie and wages	-	456
13th Salarie and tax Provision	208	191
Vacation and tax Provision	987	951
Total	**1,195**	**1,598**

(*) On August 28, 2006, the then TKS Farmacêutica Ltda., currently Sun Farmacêutica do Brasil Ltda., executed the Special Regime Agreement with the Government of the State of Goiás for the implementation of a special credit for investments in the extension of its industrial plant located in Goiânia. This tax incentive program of the Government of Goiás that aims at the reduction of the ICMS is called "PRODUZIR". In order to use this program, the beneficiary shall present industrial projects aiming at the expansion of the production capacity and at the generation of direct and indirect jobs.

(in Thousands of Reais)

Produzir is the Program of the Government of the State of Goiás that provides an incentive for the deployment, expansion or revitalization of industries, stimulating investment, technological renovation and the increase of state competitiveness focusing on creation of jobs, income and reduction of the social and regional inequalities.

Works as funding with monthly installments of 73% of the Goods and Service Circulation Tax ("ICMS") due by the beneficiaries, making the production cost cheaper and their products more competitive on the market.

Everything that accumulates during a year of fruition will have a grace period of one year for payment. In the moment the accounts are settled, the discount factors shall be applied by means of audits, whereby the loan may be reduced (released) by up to 100%.

In order for the company to request the release of the balance due it shall record a request for a release audit with the Commissioner of PRODUZIR / FOMENTAR. The request shall be addressed to the Chairman of the Executive Commission of the Decision-Making Board of the PRODUZIR / FOMENTAR Program, on paper with the letterhead of the company, characterizing it in the best way possible.

The monthly assessed tax is booked, and annually a rendering of accounts process is set up that may result in the total or partial release of the tax due in the period. In this case, the calculated difference shall be paid.

14 *Other accounts payable*

	2017	**2016**
Contingencies (a)	602	-
Bonus provision (b)	649	360
Others	262	303
Total	**1,513**	**663**

(a) Sun Farmacêutica do Brasil Ltda. is counterparty in lawsuits of labor and civil nature, as part of the normal course of its activities. Such contingencies are classified as likely losses.

Those lawsuits refer to actions filed by former employees that claim compensations. The labor contingency amount considers the survey conducted by our legal counselors and is mainly related to indirect terminations, salary / equal pay, pain and suffering and unhealthy work premium, compensation for occupational diseases, accidents at work and equal pay / accumulation of functions and unhealthy work, estimative amount booked for these case are around BRL 600 Mn .

The company keeps a follow-up system for all administrative and court cases in which it appears as plaintiff or defendant, and, backed by the opinion of the legal counsels, classifies the actions in accordance with their likelihood of dismissal.

(in Thousands of Reais)

In this context, the civil contingencies, also assessed with a possible risk of loss, were not booked, whereby the principal cases are relating to provisional remedies, summonses, extrajudicial notifications, motions for clarification, tax deficiency notices, administrative proceedings, collections, court and ordinary recoveries, in the amount of BRL 937.

(b) Provision for bonus incentive of individual performance was recognized and expected payment be paid under cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation

15 *Transactions with Related Parties*

	Non-current Liabilities	
	2017	**2016**
Loans		
- Alkaloida Chemical ZRT	109,268	118,286
- Sun Global Pharmaceutical Industries	-	3,276
Total	**109,268**	**121,562**

On March 31, 2017, the outstanding balance in US Dollar (US$) towards Alkaloida was made up of the amount of US$ 33,237 with an interest rate of 3,71 bp p.a., normally the amounts due are renegotiated.

The loan with Sun Global was paid on October´2016 total amount US$ 0,920; no interest involved.

16 *Net Equity*

Share Capital

The share capital in the amount of R$ 5,573 for both years, with totally subscribed and paid up, is represented by 5,573,482 units of ownership with a par value of one Real (R$ 1.00) each and distributed as follows:

Equity share Capital

		Amount	
Partners	**Country of Origin**	**3/31/2017**	**%**
Alkaloida Chemical Company ZRT	Hungary	5,550	99.58
Sun Pharma Global Inc.	India	19	0.35
Sun Pharmaceutical Industries Limited	India	4	0.07
		5,573	**100.00**

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.

17 *Financial Instruments*

(i) Identification and Valuation of the Financial instruments.

The book balances of financial instruments, such as availabilities, accounts receivable, taxes recoverable, loans and financing, are substantially close to their correspondent market values, when compared to the amounts that could be obtained when selling on the public market or, if there are none, to the adjusted net present value based on the applicable interest rate on the market.

(ii) Credit risk

Arising out of the possibility that the company might suffer losses due to default of its counter-parties or financial institutions where funds or financial investments are deposited. In order to mitigate these risks, the company analyzes the financial and equity situations of its operations, it also defines credit limits and permanently follows up on the open positions. With regard to financial institutions, the Management only carries out transactions with reputable and low-risk financial institutions, rated by rating agencies.

(iii) Price Risk of the Goods Sold or Produced or of the Supplies Acquired

Arising out of the possibility that the market prices of the products commercialized by the company might fluctuate. Those price fluctuations may cause substantial changes to its revenues and costs. In order to mitigate those risks, the Management permanently monitors the local and international markets and tries to anticipate price movements.

(iv) Interest rate risk

Arising out of the possibility that the company might have gains or losses due to fluctuations of the interest rate levied on its financial assets and liabilities. In order to mitigate this type of risk, the Management strives to diversify the fund rising in terms of pre-established or free interest rates.

(v) Exchange rate risk

The associated risk arises out of the possibility that the company might suffer losses due to exchange rate fluctuations that increase the funds raised on the market. On March 31, 2017, the company had liabilities in foreign currency and had no financial instrument to hedge such exposure on that date.

(vi) Derivative Financial Instruments

The company does not make use of financial instruments in index exchange (SWAP) transactions or that involve Derivatives transactions.

18 *Insurance Coverage*

The company follows the policy of taking out insurance policies for the assets subject to risks in amounts considered sufficient to cover potential accidents, considering the nature of its activity.

On March 31, 2017, the insurance coverage against operating risks was R$ 20,500.

(in Thousands of Reais)

19 *Net Operating Revenues.*

The net operating revenues of the fiscal year ended on March 31, 2017 are made up as follows:

	2017	**2016**
Gross operating revenues		
Sales – Domestic	60,106	35,610
	60,106	**35,610**
(-) Deductions from the Gross Revenue		
Sales return	(1,979)	(606)
Discounts and rebates	(19)	-
VAT (ICMS) on sales	(4,164)	(1,917)
Other Tax on Sales	(184)	(133)
	(6,346)	(2,656)
Net operating revenues	**53,760**	**32,954**

20 *Financial Results*

Financial revenues	**2017**	**2016**
Interest revenue	62	32
Discounts obtained	15	12
Interest on Highly short investment	384	100
Exchange rate variation	17,600	-
Sub Total	**18,061**	**144**

Financial expenses	**2017**	**2016**
Interest expense	-	(4)
Discount granted	(532)	(24)
Interest on bank loans	(11)	(50)
Interest on loans and foreign	(4,086)	(5,659)
Banking expenses	(78)	(65)
Exchange rate variation	-	(11,343)
Other financial expenses	(51)	(50)
Sub Total	**(4,758)**	**(17,195)**
Total	**13,303**	**17,051**

21 *Approval of the Set of Financial Statements and Explanatory Notes*

These Financial Statements were approved by the Management of SUN Farmacêutica do Brasil Ltda. and authorized for issue on May 15, 2017

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