



SUN Farmacêutica do Brasil Ltda.

Financial Statements

as of March 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Members and Executive Board of

SUN Farmacêutica do Brasil Ltda.

Goiânia - State of Goiás

1. We have examined the financial statements of **SUN Farmacêutica do Brasil Ltda.** that comprise the balance sheet as of March 31, 2016 and the respective profit and loss statements, statements of change in shareholders' equity and cash flow statement for the fiscal year ended on that date, as well as the summary of the principal accounting practices and other Explanatory notes.

Responsibility of the Management for the Financial Statements

2. The company management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, as well as for the internal controls that it has determined as necessary to allow for the preparation of these financial statements free from relevant distortions, regardless whether caused by fraud or error.

Responsibility of the Independent Auditors

3. It is our responsibility to express an opinion about these financial statements based on our audit conducted in accordance with the Brazilian and International Standards on Auditing. Those standards require the compliance with ethical requirements by the auditor and that the audit be planned and conducted with the purpose of obtaining reasonable certainty that the financial statements are free from relevant distortions.

4. An audit involves the execution of selected procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's discretion, including the assessment of the risks of relevant distortion in the financial statements, regardless whether caused by fraud or error. In such risk assessment, the auditor considers the internal controls relevant for the preparation and adequate presentation of the financial statements of the Entity, to plan the audit procedures that are appropriate under the circumstances, but not in order to express an opinion on the effectiveness of such internal controls of the Entity. An audit also includes evaluating the appropriateness, as well as the presentation evaluation of the financial statements drawn up together.

5. We believe that the evidence obtained in the audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

6. In our opinion, the financial statements present fairly, in all relevant aspects, the equity and financial position of **SUN Farmacêutica do Brasil Ltda.**, on March 31, 2016, the performance of its operations and its cash flow for the fiscal year ended on that date, in accordance with the accounting practices adopted in Brazil.

Other Matters

7. During the fiscal year ended on March 31, 2016, the Company featured Unsecured Liabilities in the amount of R\$ 116,867,902. The financial statements were prepared under the presumption that the Company will continue its normal operations. The company management has no intention of discontinuing operations, and, in that sense, the financial statements do not include any adjustments to the Assets or Liabilities accounts that might be required in the case of a potential discontinuation of the operations. Attenuating the situation is also the fact that of the total current and non-current liabilities of R\$ 156,017,606, 77.9% are obligations towards Parent Companies / Related Parties, whereby the remaining liabilities are perfectly supported by the current liquidity ratio of 1.042.

São Paulo, May 17, 2016.



**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 Farmacêutica do Brasil Ltda.

Balance Sheet
Fiscal Years ended on March 31, 2016 and 2015
(in Reais)

ASSETS	Notes	3/31/2016	3/31/2015	LIABILITIES and NET EQUITY	Notes	3/31/2016	3/31/2015
CURRENT				CURRENT			
Cash and cash equivalents	4	3,339,267	2,537,109	Loans and financing	10	339,900	509,850
Accounts receivable from customers	5	4,715,012	2,920,128	Suppliers	11	31,153,726	9,499,401
Stock	6	16,118,239	6,160,638	Social charges	12	2,240,802	1,172,985
Taxes recoverable		2,206,217	184,696	Tax obligations	13	310,325	1,035,616
Prepaid expenses		26,877	26,426	Other accounts payable		303,318	108,363
Other credits	7	278,673	1,010,199				
				Total current liabilities		34,348,071	12,326,214
Total current assets		26,684,284	12,839,195				
NON-CURRENT				NON-CURRENT			
Long-term Receivables				Long-term Liabilities			
Other credits		51,324	51,900	Loans and financing	10	0	339,900
				Obligations towards related parties	14	121,561,535	96,869,707
		51,324	51,900	Other long-term obligations		108,000	28,800
				Total non-current liabilities		121,669,535	97,238,407
Property, Plant and Equipment	8	12,383,186	11,931,218				
Intangible Assets	9	30,910	45,672	NET EQUITY			
				Capital stock	16	5,573,482	5,573,482
		12,414,096	11,976,889	Accumulated losses		(122,441,385)	(90,270,119)
Total non-current assets		12,465,420	12,028,789	Total net equity		(116,867,903)	(84,696,637)
Total Assets		39,149,704	24,867,984	Total Liabilities and Net Equities		39,149,704	24,867,984
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, 2016 and 2015
(in Reais)

		3/31/2016	3/31/2015
Net operating revenues	19	32,954,048	21,213,725
(-) Costs for products sold		(32,379,514)	(17,902,060)
Net profit		574,534	3,311,665
Operating expenses and revenues		(13,831,127)	(9,767,249)
Administrative and commercial expenses Other operating revenues		(1,863,710)	(1,909,822)
Earnings before financial expenses and revenues		(15,120,303)	(8,365,406)
Financial expenses and revenues			
Financial expenses	20	(17,194,738)	(38,232,667)
Financial revenues	20	143,775	4,235,551
Total financial expenses and revenues		(17,050,963)	(33,997,116)
Earnings before income tax and social contribution		(32,171,266)	(42,362,522)
Net profit / loss of the fiscal year		(32.171,266)	(42,362,522)
Amount of capital units of interest		5,573,482	5,573,482
Result per unit of interest (R\$)		(5.77)	(7.60)

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, 2016 and 2015
(in Reais)

	<u>Paid-up Capital Stock</u>	<u>Accumulated Income</u>	<u>Total</u>
Balance on March 31, 2014	5,573,482	(47,907,597)	(42,334,115)
Net result of the fiscal year ended on 3/31/2015	-	(42,362,522)	(42,362,522)
Other Comprehensive Income			
- None	-	-	-
Balance on Monday, March 31, 2015	5,573,482	(90,270,119)	(84,696,637)
Net result of the fiscal year ended on 3/31/2016	-	(32,171,266)	(32,171,266)
Other Comprehensive Income			
- None	-	-	-
Balance on 31 March, 2016	5,573,482	(122,441,385)	(116,867,903)
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, 2016 and 2015
(in Reais)

	3/31/2016	3/31/2015
Cash flow from operations:		
Earnings before income tax and social contribution	(32,171,266)	(42,362,522)
Items not affecting the cash:		
Write-off of fixed assets	76,790	-
Depreciations and amortizations	1,241,361	1,472,796
Inflation adjustment and interest on loans - non-current liabilities	18,457,215	31,075,283
	(12,395,900)	(9,814,443)
Variations to the Current Assets and Long-term Receivables		
Accounts receivable from customers	(1,794,884)	633,455
Stock	(9,957,601)	7,414,584
Taxes recoverable	(2,021,521)	82,029
Prepaid expenses	(451)	(16,899)
Other credits	731,526	(476,139)
Other credits - non-current	576	(28,500)
	(13,042,355)	7,608,531
Variance in the Current Liabilities and Long-term Liabilities		
Suppliers	21,654,325	409,198
Social charges	1,067,817	(148,405)
Tax obligations	(725,290)	291,729
Other accounts payable	274,156	36,863
	22,271,007	589,386
Total Operating Activities	(3,167,248)	(1,616,527)
Investment Activities		
Acquisition of intangible assets	0	(23,107)
Acquisition of fixed assets	(1,948,854)	(544,727)
Total Investment Activities	(1,948,854)	(567,834)
Financing Activities		
Loans and financing - current liabilities	(169,950)	42,524
Loans and financing - non-current liabilities	0	(552,338)
Related parties	6,088,210	2,778,199
Net Funds Used in Financing Activities	5,918,260	2,268,386
Total Cash Flow Effects	802,158	84,025
Cash and Cash Equivalents Variance		
Final cash and cash equivalents balance	3,339,267	2,537,109
Opening cash and cash equivalents balance	2,537,109	2,453,084
Cash Variance	802,158	84,025
The explanatory notes are an integral part of the Financial Statements		



SUN Farmacêutica do Brasil Ltda.

Accompanying Notes to the Financial Statements Fiscal Years ended on March 31, 2016 and 2015 (in 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 share holders decided by mutual agreement to change the corporate name of the company from TKS FARMACEUTICA 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 Pronouncements 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.



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Accompanying Notes to the Financial Statements Fiscal Years ended on March 31, 2016 and 2015 (in 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 2016, 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, 2016, 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.



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Accompanying Notes to the Financial Statements Fiscal Years ended on March 31, 2016 and 2015 (in Reais)

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 trademarks and patents 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.



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Accompanying Notes to the Financial Statements Fiscal Years ended on March 31, 2016 and 2015 (in 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

	2016	2015
Cash - in Reais	0,710	2,320
Banks - deposit account	773,898	2,534,789
Financial investments	2,564,659	0
Total	3,339,267	2,537,109



SUN Farmacêutica do Brasil Ltda.

Accompanying Notes to the Financial Statements
Fiscal Years ended on March 31, 2016 and 2015
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5 –Accounts Receivable from Customers

	2016	2015
Accounts receivable - domestic customers	5,643,677	3,800,904
(-) Provision f/ doubtful loans	-864,862	-880,776
(-) Adjustment of	-63,803	-880,776
Total	4,715,012	2,920,128

On 3/31/2016, the total gross value of the Bills Receivable of the company was distributed by due dates:

<u>Falling Due</u>	<u>R\$</u>
Within up to 30 days	3,053,171
between 31 and 60 days	1,580,553
between 61 and 90 days	6,000
91 days and more	-
Sub-total	4,639,725
<u>Overdue</u>	
Within up to 30 days	76,362
between 31 and 60 days	5,739
between 61 and 90 days	6,293
between 91 and 180 days	25,910
180 days and more	889,647
Sub-total	1,003,952
Grand Total	5,643,677

6 – Stock

	2016	2015
Raw material	2,121,745	2,121,745
Packaging material	882,482	882,482
Finished products	2,165,916	2,165,916
Products for resale	1,499,144	1,499,144
Consumer goods	145,079	145,079
Imported products – samples	132,138	132,138
Cut off Adjustment	38,689	-
(-) Adjustm. Net. Real. Value (a)	-	-707,808
(-) Adjustm. Recov. Value Est. Obsolete (b)	-1,773,699	-78,058
Total	16,116,239	6,160,638

The balance stated in the accounts above identified as (a) - overdue stock; and (b) - stock to fall due in the next 6 months. The management has made the adjustment and awaits the authorization of the National Health Surveillance Agency ("Anvisa") so that they can be burnt.



SUN Farmacêutica do Brasil Ltda.

Accompanying Notes to the Financial Statements
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7 – Other Credits

	2016	2015
Advance payments to employees	6,024	2,325
Advance payments to suppliers	241,947	954,196
Other credits	30,702	53,678
Total	278,673	1,010,199

Balance principally made up of advance payments to foreign suppliers relating to the purchase of raw material and medicals for resale.

8 – Fixed Assets

Description	Rate Annual Deprec.	Infl.adj. Cost	(-) Accumulated Deprec.	2016	2015
				Total	Balance Previous
Lands		118,000	-	118,000	118,000
Buildings	4%	6,501,201	-1,626,436	4,874,765	5,134,813
Facilities	10%	1,319,685	-580,141	739,544	819,783
Mach. Equipm. IT	20%	481,524	-307,060	174,464	200,953
Vehicles	20%	312,215	-136,903	175,312	236,337
Mach. Equipm. Production	10%	8,388,769	-3,513,217	4,875,552	4,604,657
Furniture and Utensils	10%	341,577	-128,708	212,869	235,766
Administrative Facilities	10%	128,510	-78,524	49,986	56,321
Tools, Devices	20%	772,292	-416,248	356,044	465,082
Mach. and Equipm. ongoing		849,575	-	849,575	159,506
Subtotal Property Plant / Equipment		19,213,347	-6,787,237	12,426,110	11,931,218
Impairment test		-	-	-42.924	-
Total Property Plant and Equipment		-	-	12.383.186	11.931.218

The development of the balances of the fixed assets accounts in the period from April 1, 2015 to March 31, 2016 was as follows:

Detailed Cost Column

Description	Useful Life (in years)	Cost Development			balance 03/2016
		Opening Balance	(+) In	(-) Out	
Lands	-	118,000	-	-	118,000
Buildings	25	6,501,201	-	-	6,501,201
Facilities	10	1,174,243	154,675	-9,233	1,319,685
Mach. Equipm. IT	5	492,168	53,226	-63,870	481,524
Vehicles	5	312,215	0	-	312,215
Mach. Equipm. Production	10	7,421,944	996,164	-29,339	8,388,769
Furniture and Utensils	10	359,898	36,288	-54,609	341,576
Administrative Facilities	10	145,411	11,412	-28,312	128,511
Tools, Devices	20	849,950	7,022	-84,680	772,292
Mach. and Equipm. Ongoing	-	159,506	690,069	-	849,575
Total Property Plant and Equipment		17,534,536	1,948,855	-270,044	19,213,347



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Accompanying Notes to the Financial Statements
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Detailed Depreciation Column

Description	Depreciation Development				Balance 03/2016
	Annual Deprec. Rate	Opening Balance	(+) In	(-) Out	
Buildings	4%	1,366,388	260,048	-	1,626,436
Facilities	10%	454,460	130,694	5,013	580,141
Mach. Equipm. IT	20%	291,216	72,958	57,113	307,061
Vehicles	20%	75,878	61,025	-	136,903
Mach. Equipm. Production	10%	2,817,286	719,549	23,619	3,513,217
Furniture and Utensils	10%	124,132	35,330	30,754	128,708
Administrative Facilities	10%	89,090	12,723	23,289	78,524
Tools, Devices	20%	384,868	84,107	52,727	416,248
Total Depreciation		5,603,318	1,376,434	192,515	6,787,237

Detailed Impairment Test

Descriptions	Opening Balance	(+) In	(-) Out	Balance 03/2016
Facilities	-	-	-6,580	-6,580
Mach. Equipm. IT	-	-	-2,266	-2,266
Vehicles	-	-	-2,048	-2,048
Mach. Equipm. Production	-	-	23,391	-23,391
Furniture and Utensils	-	-	-1,442	-1,442
Administrative Facilities	-	-	-7,197	-7,197
Impairment Total	-	-	-42,924	-42,924

9 – Intangible Assets

Description	Annual Amort. Rate	Infl.adj. Cost	(-) Accumulated Amortization	2016	2015
				Total	Previous Balance
Appliance Systems	20%	112,188	-89,103	23,085	37,847
Trademarks and Patents		7,825	-	7,825	7,825
Total Intangible Assets		120,013	-89,103	30,910	45,672

The development of the balances of the intangible asset accounts in the period from April 1, 2015 to March 31, 2016 was as follows:



SUN Farmacêutica do Brasil Ltda.

**Accompanying Notes to the Financial Statements
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Detailed Cost Column

Description	Useful Life (in years)	Cost Development			balance 03/2016
		Opening balance	(+) In	(-) Out	
Appliance Systems	5	112,431	0	0,243	112,188
Trademarks and Patents	-	7,825	-	-	7,825
Total Intangible Assets		120,256	0	0,243-	120,013

Detailed Amortization Column

Description	Annual Deprec. Rate	Depreciation Development			Balance 03/2015
		Opening Balance	(+) In	(-) Out	
Appliance Systems	20%	74,584	14,762	0,243	89,103
Total Depreciation		74,584	14,762	0,243-	89,103

10 – Loans and Financing

	Maturity	Charges	2016		2015	
			Current	No Current	Current	No Current
Domestic Institutions						
Banco do Brasil S.A. - OK	12/1/2016	100% p.y.	339,900	0	509,850	339,900
Loans and Financing			339,900	0	509,850	339,900

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.

11 – Suppliers

	2016	2015
Domestic Suppliers	453,661	528,764
Foreign Affiliate Suppliers	30,700,065	8,970,637
Total	31,153,726	9,499,401



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12 – Social Charges

	2016	2015
Wages and Salaries	435,808	311,451
Unempl. Comp. Fund ("FGTS") payable	52,208	81,956
Natl. Soc. Sec. Inst. ("INSS") payable	230,445	178,192
Pens. Contr. over Turn.	0	7,088
Contract terminations payable	20,729	-
13 th salary to pay	191,097	109,220
Vacation to pay	950,515	485,078
Provision for bonus Incentive	360,000	-
Total	2,240,802	1,172,985

13 – Tax Obligations

	2016	2015
Withholding Tax on payroll	181,343	102,790
Others / Produzir (*)	128,982	932,826
Total	310,325	1,035,616

(*) 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.

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%.



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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 – Transactions with Related Parties

	Non-current Liabilities	
	2016	2015
<u>Loans</u>		
- Alkaloida Chemical ZRT	118,285,730	93,916,889
- Sun Global Pharmaceutical Industries	3,275,806	2,952,818
Total	121,561,535	96,869,707

On March 31, 2016, the outstanding balance in US Dollar (US\$) towards Alkaloida was made up of the amount of US\$ 33,236,598 with an interest rate of 4,80 p.y., normally the amounts due are renegotiated.

The balance due to Sun Global on March 31, 2016, amounts to US\$ 920,454; no interest is set forth, and at each maturity date renegotiations take place with the extension of the initial period of time.

In the period from April 1, 2015 to March 31, 2016, the members made loans to increase the cash flow of SUN PHARMA. The partner Alkaloida Chemical ZRT has made transfers in the amount of US\$ 2,250,000, made up as stated below:

Date	Amount (US\$)	Interest Rate	Maturity
06/07/2015	500,000	4,80% a.a.	11/07/2019
03/08/2015	250,000	4,80% a.a.	11/07/2019
16/09/2015	1,140,000	4,80% a.a.	11/07/2019
08/10/2015	360,000	4,80% a.a.	11/07/2019
TOTAL	2,250,000		



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15 – Contingencies

Sun Farmacêutica do Brasil Ltda. is a party 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.

The estimated amount is R\$ 33,000 thousand.

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 counselors, classifies the actions in accordance with their likelihood of dismissal.

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, executions, collections, court-supervised and ordinary recoveries, in the amount of R\$ 486,590 thousand.

16 – Net Equity

Capital Stock

The capital stock in the amount of R\$ 5,573,482 (R\$ 5,573,482 in 2015), 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:

Subscribed Capital Stock

Partners	Country of Origin	Amount	
		3/31/2016	%
Alkaloida Chemical Company ZRT	Hungary	5,550,000	99.58
Sun Pharma Global Inc.	India	19,463	0.35
Sun Pharmaceutical Industries Limited	India	4,019	0.07
		5,573,482	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.



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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 raising 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, 2016, 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, 2016, the insurance coverage against operating risks was R\$ 20,200,000.



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19 – Net Operating Revenues.

The net operating revenues of the fiscal year ended on March 31, 2016 are made up as follows:

	<u>2016</u>	<u>2015</u>
Gross operating revenues		
Product Sales	14,940,716	12,868,227
Merchandise Resale	20,668,900	12,430,614
	35,609,616	25,298,841
(-) Deductions from the Gross Revenue		
Canceled sales	-185,049	-766,990
Canceled resales	-421,180	-1,164,184
Disc. and rebate on resales	-	-338,217
ICMS on sales	-759,304	-784,116
ICMS on resales	-1,157,499	-457,255
Other sales taxes	-132,535	-574,354
	-2,655,568	-4,085,116
Net operating revenues	32,954,048	21,213,725

20 – Financial Revenues and Expenses

	<u>2016</u>	<u>2015</u>
Financial revenues		
Interest revenue	31,622	27,899
Discounts obtained	11,798	21,327
Earnings from financial investments	100,356	95,265
Exchange variance revenue	-	4,089,970
Other financial revenues	-	1,090
Total	143,775	4,235,551

	<u>2016</u>	<u>2015</u>
Financial expenses		
Interest expense	4,262	9,972
Discount expense	23,817	84,667
Interest on bank loans	50,432	84,782
Interest on loans and foreign	5,659,056	3,674,898
Banking expenses	65,005	65,136
Exchange variance expense	11,342,906	34,312,948
Other financial expenses	49,260	264
Total	17,194,738	38,232,667

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 25, 2016.

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