



**Sun Farmacêutica do Brasil Ltda.**  
*As Sun Pharma Company*

Financial statements as of  
31 March 2021 and 2020

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## **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, 2021 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, 2021, 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, 2021, the Company had an unsecured liability scenario over assets of BRL 196,790 (BRL 184,069 in 2020). 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, BRL 289,753, 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 9.94.

### **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, April 29 2021.



CRC-SP nº 2SP021055/O-1

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**Paulo Cesar R. Peppe**  
Accountant CRC-SP nº 1SP095009/O-5

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**Hélio Márcio Rodrigues Gomes**  
Accountant CRC-SP nº 1SP195873/O-2



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**Sun Farmaceutica do Brasil Ltda.**

**Balance sheet ended as of 31 March 2021 and 31 March 2020**

*(In Thousands of Brazilian Reais)*

<b>Asset</b>	<b>Note</b>	<b>31/Mar-2021</b>	<b>31/Mar-2020</b>	<b>Liability</b>	<b>Note</b>	<b>31/Mar-2021</b>	<b>31/Mar-2020</b>
<b>Current</b>				<b>Current</b>			
Cash and cash equivalents	4	280	1,073	Suppliers	9	81,481	48,298
Other investments	4	34,694	25,194	Taxes and contributions payable	10	664	1,566
Accounts receivables from customers	5	13,776	12,526	Salaries and holiday payable	11	2,555	2,518
Inventories	6	43,439	17,918	Other provision	12	5,255	5,305
Current tax assets	7	3,353	276	Other accounts payable	13	1,333	1,258
Other accounts receivable		285	207	<b>Total of current liabilities</b>		<b>91,287</b>	<b>58,944</b>
<b>Total of current assets</b>		<b>95,827</b>	<b>57,194</b>	<b>Non-current</b>		<b>208,407</b>	<b>190,284</b>
<b>Non-current</b>				Provision for contingencies	14	0	119
Fixed assets	8	6,950	7,801	Lease rental Agreement - Office and Vehicles		134	120
Intangible Assets		128	165	Loans	15	208,272	190,045
<b>Total of non-current assets</b>		<b>7,078</b>	<b>7,967</b>	<b>Total of non-current liabilities</b>		<b>208,407</b>	<b>190,284</b>
<b>Total of assets</b>				<b>Net Equity</b>			
		<b>102,904</b>	<b>65,160</b>	Share Capital	16	5,573	5,573
				Accumulated losses		(202,364)	(189,642)
				<b>Total of net equity</b>		<b>(196,790)</b>	<b>(184,069)</b>
				<b>Total of liabilities and net equity</b>		<b>102,904</b>	<b>65,160</b>

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

**Sun Farmaceutica do Brasil Ltda.****Statements of Income****Fiscal Years ended as of 31 March 2021 and 31 March 2020***(In thousands of Brazilian Reais)*

	<u>Note</u>	<u>31/Mar-2021</u>	<u>31/Mar-2020</u>
Operating Revenue	17	127,743	112,229
Cost of goods sold and services rendered		<u>(86,070)</u>	<u>(61,401)</u>
<b>Gross Profit</b>		<b>41,673</b>	<b>50,828</b>
<b>Operating expenses</b>			
Sales	18	(2,365)	(3,833)
Administrative and General expenses	19	(36,667)	(32,477)
Other operating (expenses) income		<u>1,982</u>	<u>939</u>
<b>Earnings before net financial (expenses) revenue and taxes</b>		<b>4,622</b>	<b>15,457</b>
Financial expenses	20	(17,467)	(57,383)
Financial revenues	20	<u>538</u>	<u>602</u>
<b>Net financial (expenses) revenue</b>		<b>(16,928)</b>	<b>(56,781)</b>
<b>Results before taxes</b>		(12,306)	(41,324)
<b>Income tax and social contribution</b>		<b>(415)</b>	<b>(3,277)</b>
Currente IRPJ		(282)	(2,344)
Currente CSSL		(133)	(933)
Deferred			
<b>Income for the fiscal year</b>		<b>(12,721)</b>	<b>(44,601)</b>

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



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## **Sun Farmaceutica do Brasil Ltda.**

### **Statements of changes in stockholders' equity**

**Fiscal years ended as of 31 March 2021 and 31 March 2020**

*(In thousands of Brazilian Reais)*

	<u>Share Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
<b>Balance as of 31 of March de 2019</b>	5,573	(145,041)	(139,468)
Results for the period	-	(44,601)	(44,601)
<b>Balance as of 31 of March de 2020</b>	5,573	(189,642)	(184,069)
Resultado do exercício	-	(12,721)	(12,721)
<b>Balance as of 31 of March de 2021</b>	5,573	(202,364)	(196,791)

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



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## Sun Farmaceutica do Brasil Ltda.

### Statement of Cash Flows - Indirect method

Fiscal years ended as of 31 March 2021 and 31 March 2020

(In thousands of Brazilian Reais)

	<u>Note</u>	<u>31/Mar-2021</u>	<u>31/Mar-2020</u>
<b>Cash flows from operating activities</b>			
<b>Profit and (losses) before taxes</b>		(12,306)	(44,601)
Adjustments for:			
Depreciation		1,130	1,048
Amortization		38	21
Rental lease agreement - Vehicles and Office		14	221
Provision for contingencies		(119)	(30)
Provision for doubtful receivables		251	606
Provision for inventory devaluation		(1,783)	(4,796)
Other provision		3,715	1,904
Unrealized exchange rate variation		18,227	57,308
Result on fixed assets retirement		322	160
Tax benefit - refund		(3,108)	(5,011)
		<u>6,382</u>	<u>6,830</u>
<b>(Increase) decrease in assets and and liabilities</b>			
Other Investment		-	59
Accounts receivables from customers		(1,501)	1,908
Investories		(23,738)	9,221
Current tax assets		30	(108)
Other accounts receivables		(78)	97
Taxes and contributions payable		(903)	(557)
Salaries and charges payable		37	551
Suppliers		33,184	9,527
Other Provisions to payable		(3,765)	(509)
Other accounts payable		75	(827)
		<u>3,340</u>	<u>19,362</u>
		<b><u>9,721</u></b>	<b><u>26,192</u></b>
<b>Cash from operations</b>		<u>9,721</u>	<u>26,192</u>
Income tax and social contribution paid on the fiscal year		(415)	(2,854)
<b>Net cash from operating activities</b>		<u>9,306</u>	<u>23,338</u>
<b>Cash flows from investments and financing activities</b>			
Acquisition of fixed assets	8	(600)	(2,210)
<b>Net cash used in financing activities</b>		<u>(600)</u>	<u>(2,210)</u>
<b>Increase in cash and cash equivalentes</b>		<u>8,706</u>	<u>21,128</u>
<b>Statement of cash and cash equivalentes reduction</b>			
At the beginning of the fiscal year		26,267	5,139
At the end of the fiscal year	4	<u>34,973</u>	<u>26,267</u>
		<u>8,706</u>	<u>21,128</u>

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





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## **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 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 2021 and 2020**

The balance sheet ended as of 31 March 2021 has a negative net worth of BRL 196,791 Mn, being the exchange rate the biggest impact.

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.

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, 17 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 23 April 2021.

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).

#### **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.



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## **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



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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.

In accordance with restrictions imposed by the state of Goiania, in confronting of the Covid-19 pandemic, we did not make physical inventory of the goods in stock, and as historically there have never been main differences in counts, unidentified risk as to the numbers reported here.

**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:

	<b>Years</b>
Machines and equipment	14
Furniture and utensils	12
IT equipment	10
Vehicles	12
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



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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:	<b>Years</b>
Software	10

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

According to NBC TG 01 (R4) – Impairment of Assets – Related to IAS 36.

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. Leasing Operation**

In line with the pronouncement of the new Accounting Standard on Leasing, through CPC 06 (R2) and in India (Where Sun's headquarters are located) from April 1, 2019 through Ind AS 116. It establishes principles for the recognition and measurement of leases, the purpose of which is to ensure relevant information that faithfully represents these transactions.

As part of a Big group, as of April 1, 2019, Sun Farmacêutica do Brasil Ltda. adhered to the referred norm, and began to treat the property rental according to its requirements. The company started to present its Assets - Right of Use (Net Present Value of the Lease Agreement) and its Lease Liabilities (Net Present Value of the Lease Payable, updated by interest). The Right of Use is amortized over the term of the contract and its effects are reflected in the result.

**g. 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.

**h. 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.

**i. 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.

**j. 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.



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#### **k. 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.

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 BRL 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.

#### **l. 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 2021, 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.



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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.

#### 4 Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Cash	3	3
Banks	277	1,070
Other investments (Short Investments)	34,693	25,194
<b>Total</b>	<b><u>34,973</u></b>	<b><u>26,267</u></b>

The variation of cash and cash equivalents is directly linked to sales increased along the year, reflecting the trade receipts, where excess cash is being invested in short-term investment, with the Local rate being 5.00% p y.

#### 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.

Other accounts receivable refers to the Credit Note issued against the Corporate, related to the "Transfer Price adjust", that is, purchase of products with prices higher than the one practiced in Brazil and amounts related to the goods claim.

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 2021, had not been received by customers.

	<u>2021</u>	<u>2020</u>
Accounts receivable	18,785	17,682
Other accounts receivable	514	335
(-) Provision f/ doubtful settlement Credits	-1,463	-1,212
(-) Revenue adjustment recognition	-4,059	-4,279
<b>Total</b>	<b><u>13,776</u></b>	<b><u>12,526</u></b>

On 31/03/21 the total gross value of trade bills receivable from the company, distributed by maturities as follows:

<b><u>To mature</u></b>	<b><u>BRL</u></b>
Within 30 days	10,874
From 31 to 60 days	5,155
From 61 to 90 days	1,291
<b>Subtotal</b>	<b><u>17,320</u></b>
<b><u>Matured</u></b>	<b><u>BRL</u></b>
Matured over 365 days	1,465
<b>Subtotal</b>	<b><u>1,465</u></b>
<b>Total Geral</b>	<b><u>18,785</u></b>



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## 6 Inventories

	<u>2021</u>	<u>2020</u>
Products for Resale	27,840	9,980
Adjust Revenue Recognition -Cogs	2,618	1,729
Raw material	0	336
Packaging materials	44	49
Goods in transit - Goods	13,569	7,814
Customs Broker	18	320
Others	284	173
(-) Adjustment Net Val of Realization	0	-25
(-) Adjustment Recoverable Val. Est. Obsolete (a)	-934	-2,458
<b>Total</b>	<b><u>43,439</u></b>	<b><u>17,918</u></b>

The balance figured in the accounts identified above as (a) - shelf life of inventories, to mature in the next 6 months and without moving for more than 1 year, management has made the adjustment and awaits the approval of Regulatory Health Agency for them to be destroyed.

In accordance with restrictions imposed by the Government in confronting of Covid-19 Pandemic, we did not make physical inventory, and as historically there have never been major variations in these counts, we have not identified any risk regarding the numbers reported here.

## 7 Current tax asset

	<u>2021</u>	<u>2020</u>
ICMS on Purchase (a)	1,634	0
VAT on fixed assets	122	145
TDS recoverable	218	113
Anticipated CSSL	148	0
Anticipated IRPJ	1,231	0
Other tax recoverable	0	18
<b>Total</b>	<b><u>3,353</u></b>	<b><u>276</u></b>

- a) At the end of the year, the Term of ICMS Agreement TARE 185/2011-GSF reached the end of the tenure period of 10 (ten) years, making import operations subject to ICMS at the entrance of the goods.

## 8 Fixed assets

The company has conducted tests of impairment in all its assets and found losses by devaluation. Another change is the adoption of CPC 06, which as of April 2019, the company began to present its Assets - Right of Use (Net Present Value of the Lease Contract) and its Lease Liabilities (Net Present Value of the Lease Payable, restated by interest). The Right of Use is amortized over the term of the contract and its effects are reflected in the result.





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Fixed Assets		2021			2020
Descriptions	Annual Rate	Gross Book	(-) Accumulated Depreciation	Total	Previous Year
Land		118	0	118	118
Installations	10%	884	-551	333	370
Plant and Machinery	10%	7,980	-4,694	3,286	3,570
Furniture and fixture	10%	389	-240	150	174
Computer Equipment's	20%	989	-626	364	413
Vehicles	8%	368	-280	88	125
Buildings	4%	8,098	-3,005	5,093	5,417
Tools and devices	20%	751	-572	179	191
Rental of Vehicles and Office		879	-758	121	120
CWIP		683	0	683	683
<b>Subtotal of Fixed assets</b>		<b>21,138</b>	<b>-10,724</b>	<b>10,414</b>	<b>11,265</b>
<b>Impairment Test</b>		<b>-</b>	<b>-</b>	<b>-3,464</b>	<b>-3,464</b>
<b>Total of Fixed assets</b>		<b>-</b>	<b>-</b>	<b>6,950</b>	<b>7,801</b>

Balance of account property, plant and equipment accounts for the period from April 1, 2020 to March 31, 2021 as follows:

Descriptions	Useful Life	Opening Balance	Cost evolution			
			(+) Income	(-) Out	(-) Transfer	Closing Balance
Land	-	118	0	0	-	118
Installations	10	884	0	0	-	884
Plant and Machinery	10	8,417	216	-653	-	7,980
Furniture and fixture	12	389	0	0	-	389
Computer Equipment's	10	933	56	0	-	989
Vehicles	12	368	0	0	-	368
Buildings	25	8,098	0	0	-	8,098
Tools and devices	14	751	0	0	-	751
Rental of Vehicles and Office	-	551	328	0	-	879
CWIP	-	683	0	0	-	683
<b>Total of Fixed assets</b>		<b>21,191</b>	<b>600</b>	<b>-653</b>	<b>0</b>	<b>21,138</b>

Descriptions	Annual Tax Rate	Opening Balance	Depreciation Evolution		
			(+) Income	(-) Out	Closing Balance
Installations	10%	513	38	0	551
Plant and Machinery	10%	4,847	178	-331	4,694
Furniture and fixture	10%	215	24	0	240
Computer Equipment's	20%	520	106	0	626
Vehicles	20%	243	37	0	280
Buildings	4%	2,681	324	0	3,005
Tools and devices	20%	560	12	0	572
Rental of Vehicles and Office		347	410	0	758
<b>Total of Fixed assets</b>		<b>9,926</b>	<b>1,130</b>	<b>-331</b>	<b>10,724</b>





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Descriptions	Impairment Test Evolution			Closing Balance
	Opening Balance	(+) Income	(-) Out	
Buildings	-421	-	-	-421
Plant and Machinery	-2,793	-	-	-2,793
Furniture and fixture	-61	-	-	-61
Computer Equipment's	-19	-	-	-19
Tools and devices	-169	-	-	-169
<b>Impairment Total (a)</b>	<b>-3,464</b>	<b>0</b>	<b>0</b>	<b>-3,464</b>

(a) As per management decision, plant in Goiania has stopped of local manufacturing 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;
- ✓ Low capacity of plant, 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

	<u>2.021</u>	<u>2.020</u>
Social contributions payable	47,780	24,501
Intercompany - Principal	3,320	8,347
Intercompany - Unrealized exchange rate	13,569	6,975
Intercompany - In Transit	16,735	7,814
Intercompany - TP adjusts	78	100
<b>Other Suppliers</b>	<b><u>81,481</u></b>	<b><u>48,298</u></b>

The outstanding in USD to pay Sun Pharmaceutical is BRL 1.806 Mn, this amount consists of goods imports and debit note, which is related to the transfer price adjustment, required by India, 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

<i>Social contributions payable</i>	<u>2021</u>	<u>2020</u>
INSS payable on payroll	344	339
INSS withheld at source	7	10
FGTS on payroll	77	77
PIS/COFINS/CSSL/ISS withheld at source	20	13
<b>Subtotal</b>	<b><u>448</u></b>	<b><u>439</u></b>



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<i>Taxes payable</i>	<b>2021</b>	<b>2020</b>
Income tax withheld at source	367	246
ICMS on Sales	309	988
(-) Adjustment of ICMS on revenue recognition (a)	-629	-532
Provision for ICMS on WO Stock	159	418
Others	10	7
<b>Subtotal</b>	<b>216</b>	<b>1,127</b>
<b>TOTAL</b>	<b>664</b>	<b>1,566</b>

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

May, 2017, as per ordinance 114/2017-GSF, Sun Farmacêutica do Brasil Ltda. Has received/signed the Special Tax Agreement with the Government of the State of Goiás, aiming investments in the local structure/expansion of its industrial unit located in Goiânia.

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

The tax authorities has authorized as equivalent percentage of 65% on the value of the ICMS debit balance, corresponding to the interstate rate that it carries out with goods and goods imported directly by the agreement, by means of a secondary zone port structure in the State of Goiás.

### **11 Labor Obligation to Pay**

	<b>2021</b>	<b>2020</b>
Salaries	629	636
13th Salary and Tax Provision	291	273
Vacation and Tax Provision	1,635	1,609
<b>Total</b>	<b>2,555</b>	<b>2,518</b>

### **12 Other Provisions**

	<b>2.021</b>	<b>2.020</b>
Provisions for returns	1,539	2,229
Sales Commission payable	0	105
Expenses with development of new products	0	-
Provision for Selling expenses (a)	2,250	549
Bonus on performance/provision for Dismissal payable to personnel	1.193	1,158
Administrative services payable (b)	272	841
Income Tax provision	0	423
<b>Total</b>	<b>5,255</b>	<b>5,305</b>

- 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. Provision for termination agreement (1/12 + 1/3) in the amount of BRL 2,250 has been done, as determined by the legislation.



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- b) Quality control coordinates the technology transfer activity of 37 products, originating from Ranbaxy, and for that purpose we have provisioned the cost of BRL 272 related to materials, services and equipment qualification.

### 13 Other bills to pay

	<u>2021</u>	<u>2020</u>
Account to Pay	867	1,185
Advances received from customers	499	0
Freight - Revenue Adjustment	-33	74
<b>Total</b>	<b><u>1,333</u></b>	<b><u>1,258</u></b>

### 14 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.

Based on information from the legal advisors, analysis of lawsuits pending and, regarding labor actions, management did not constitute a provision, considering that the accounting practices adopted in Brazil do not require their accounting, as follows:

	<u>2021</u>			<u>2020</u>
	<u>Provision</u>	<u>Judicial Deposit</u>	<u>Net</u>	<u>Net</u>
Labor	0	0	0	119
	<b>0</b>	<b>0</b>	<b>0</b>	<b>119</b>

### Lawsuit statuses on the period

	<u>2020</u>			<u>2021</u>	
	<u>Gross initial balance</u>	<u>Addition to provision</u>	<u>Retirement</u>	<u>Judicial Deposit</u>	<u>Final Net Balance</u>
Labor	119	0	-119	0	0
	<b>119</b>	<b>0</b>	<b>-119</b>	<b>0</b>	<b>0</b>

#### a. Summary of labor processes

As of March 31, 2020, the Company used to have only 2 cases of labor claims that were finalized and written off in the 2nd quarter of 2020/2021.

#### b. Summary of civil processes

As of March 31, 2021, the Company had a total of 7 cases of complaints involving issues of commercial representations in the total amount of approximately BRL 1,582 thousand. According to the legal advisors, the cases are classified as possible and remote risk of loss, which are not part of the provision. The estimated loss made is in accordance with the opinion of the legal advisors, and are duly updated on interest and their respective taxes.



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### 15 Transaction with Related parties

<u>Loans</u>	<u>2021</u>	<u>2020</u>
- Alkaloida Chemical ZRT	208,272	190,045
<b>Total</b>	<b>208,272</b>	<b>190,045</b>

On March 31, 2021, the outstanding in US Dollar (USD) to Alkaloida is the USD 36,556 Mn with an interest rate of 0% p.y., normally the amounts due are renegotiated.

### 16 Net Equity

Share capital is composed of 5,573 shares, (BRL 5,573 2020) fully subscribed and paid, represented by 5,573,482 shares, being on the nominal value of BRL 1.00 each, which are distributed as follows:

<u>Quota Holder</u>	<u>Country</u>	<u>31/03/2021</u>	<u>%</u>
<b>Partners</b>			
Alkaloida Chemical Company ZRT	Hungria	5,550	99,58
Sun Pharma Holding	Índia	19	35
Sun Pharmaceutical Industries Limited	Índia	4	07
		<b>5,573</b>	<b>100%</b>

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 Operating Revenue

	<u>2021</u>	<u>2020</u>
Resale of Goods	142,470	128,241
Resale of samples for bioequivalence	149	272
Tax Benefit	3,108	5,011
<b>Gross revenue from sales</b>	<b>145,727</b>	<b>133,524</b>
Taxes on sales and resales	-16,838	-16,024
Discounts given	-207	-1,083
Sales Returns	-939	-4,188
(-) Sales Deduction	<b>-17,984</b>	<b>-21,295</b>
<b>Operating Revenue</b>	<b>127,743</b>	<b>112,229</b>

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

The financial discounts refer to hospital products that were not delivered, and the customer received some kind of penalty in which, because we were co-responsible, we had to pay them back.



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### 18 Expenses with sales

	<b>2021</b>	<b>2020</b>
Advertising and Publicity	328	76
Promotional material	1,240	803
Promotional campaigns	540	650
Fairs; Congresses and events	17	985
Travel Expenses	100	895
Other promotional expenses	140	424
	<b>2,365</b>	<b>3,833</b>

With the launch of new molecules, Sun Pharma invested in promotional material, aimed at the development with doctors, health plans and clinics. Throughout the year 2020, Sun Pharma participated in the main on line congresses related to oncological drugs and hospital fairs, aiming to publicize the Sun Pharma brand.

### 19 General and Administrative Expenses

	<b>2021</b>	<b>2020</b>
Personal	22,345	19,194
Equipment Maintenance	920	545
Rent Expenses	51	20
Power Expenses	569	452
Provision / Expenses with contingencies	-119	-30
Travel Expenses	35	202
Commissions Expenses and Sales Incentive	1,856	1,505
Service Provided	674	1,047
Regulatory (a)	2,019	1,819
Quality Control (b)	4,187	3,817
Taxes and fees	206	156
Other administrative expenses (c)	2,756	2,645
Depreciation and amortization	1,168	1,075
	<b>36,667</b>	<b>32,447</b>

- a) Regulatory expenses are related to the development of new 17 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.
- b) Expenses with QC Control, related to Tech transfer process of Ranbaxy products, which from 2020, will have the QC/QA shared with Sun Farmaceutica do Brasil, this process aims to reduce the costs with consumables.
- c) The main expenses booked in other administrative expenses are related to Provision for doubtful BRL 252 and warehouse expenses BRL 1,496, among other small expenses.



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## 20 Net financial (expenses) revenue

	<b>2021</b>	<b>2020</b>
<b>Financial expenses</b>		
Interests	-3	0
Exchange rate	-17,411	-57,308
Others	-53	-75
	<b>-17,467</b>	<b>-57,383</b>
<b>Financial revenues</b>		
Interests	14	25
Interest on financial investments	517	558
Others	8	19
<b>Subtotal</b>	<b>538</b>	<b>602</b>
<b>TOTAL</b>	<b>-16,928</b>	<b>-56,781</b>

## 21 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.

## 22 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.



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**(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.

	<u>2021</u>	<u>2020</u>
	<b>USD</b>	<b>USD</b>
Suppliers	1,806	9,936
Loans	36,556	36,556
	<b><u>38,362</u></b>	<b><u>46,492</u></b>

The following exchange rates were applied during the year:

<u>Average Rate</u>		<u>Closure Rate on the date of the Financial Statements</u>	
2021	2020	2021	2020
5.4707	4.1676	5.6973	5.1987

**Exchange Rate Sensitivity Analysis**

The Company has liabilities linked to foreign currency in the balance sheet as of 31 March 2021, and for the purposes of analysis of sensitivity, adopted as a likely scenario the rate of BRL 5,40.

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

<b>Exchange Rate Risk</b>	<u>Scenarios (increase)</u>		
	<b>Likely</b>	<b>Possible</b>	<b>Remote</b>
Scenarios and price levels	5.40	5.60	5.70
Passive Position	207,155	214,827	218,663
Total net effect	11	4	0

  

<b>Exchange Rate Risk</b>	<u>Scenarios (reduction)</u>		
	<b>Likely</b>	<b>Possible</b>	<b>Remote</b>
Scenarios and price levels	4.40	4.20	4.70
Passive Position	168,793	161,120	180,301
Total net effect	-50	-57	-38

**(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.



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### **23 Subsequent events**

Due to Government restrictions to combat Pandemic COVID-19 at the global level, except for the revenue adjustments already recognized in the accounts on 03/31/2021 due to extra orders at the end of March, in order to supply future demand based on Pandemic, we can consider some impacts on our operation:

Suspension of the annual drug price adjustment, which should have occurred on April 1, 2020, based on a study by Cmed, whose average increase should have been 4.22%;

Restriction of flights at the head office, located in India, which may impact the stock replenishment;

Postponement of fairs and events, used to leverage sales;

Therefore, due to the uncertainties inherent in these expected impacts, we were unable to measure them with confidence, nor did they impact the balances of these DF's

### **24 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 23 April 2021.

Walter Wiesmueller Coelho Filho  
CFO – BRAZIL

Babita Roy  
F&A and Planning Manager

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