Ranbaxy Farmacêutica Ltda.

As Sun Pharma Company

Financial statements
March 31, 2017 and 2016

Contents

INDEPENDENT AUDITORS' REPORT

To
The Quotaholders and Executive Board of
Ranbaxy Farmacêutica Ltda
Barueri - SP

Opinion

1. We have examined the financial statements of **RANBAXY FARMACÊUTICA 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 RANBAXY FARMACÊUTICA 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$ 52,519,467. 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$ 99,652,103, 91% 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 6.67.

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 12, 2017.

PEPPE ASSOCIADOS
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Ranbaxy Farmacêutica Ltda.

Balance sheets ended March 31, 2017 and 2016

(In thousands of reais)

Assets	Note	Mar 31, 2017	Mar 31, 2016
Current assets			
Cash and cash equivalents	**4**	2,239	2,688
Other investments	**4**	0,307	3,524
Trade accounts receivable	**5**	18,602	15,364
Inventories	**6**	19,010	16,770
Current tax assets	**7**	2,421	3,696
Other accounts receivable		0,472	0,449
Total current assets		**43,052**	**42,491**
Non-current assets			
Trade accounts receivable		0,000	0,000
Deferred tax assets		0,000	0,000
		0,000	**0,000**
Property, plant and equipment	**8**	3,794	5,304
Intangible assets		0,287	0,396
Total non-current assets		**4,081**	**5,700**
Total assets		**47,133**	**48,191**

Liabilities	Note	Mar 31, 2017	Mar 31, 2016
Current liabilities			
Suppliers	**9**	26,690	21,180
Loans	**10**	16,237	18,190
Taxes and contributions payable	**11**	1,391	1,057
Salaries and vacations payable		0,815	0,780
Other provisions	**12**	3,787	5,542
Other accounts payable		0,471	0,431
Total current liabilities		**49,392**	**47,180**
Non-current liabilities			
Provision for contingencies	**13**	2,734	2,924
Loans	**10**	47,526	53,384
		50,260	**56,308**
Quotaholders' equity			
Capital	**14**	17,367	17,367
Accumulated losses		(69,886)	(72,664)
Total quotaholders' equity		**(52,519)**	**(55,297)**
Total liabilities and quotaholders’ equity		**47,133**	**48,191**

See the accompanying notes to the financial statements.

Ranbaxy Farmacêutica Ltda.
Statements of operations
Years ended March 31, 2017 and 2016
(In thousands of reais)

	Note	Mar 31, 2017	Mar 31, 2016
Net operating income	**15**	60,181	61,425
Costs of products sold and services rendered		(36,721)	(40,435)
Gross income		**23,459**	**20,990**
Operating expenses:			
Sales	**16**	(8,348)	(10,555)
Administrative and general	**17**	(22,463)	(23,600)
Other operating income (expenses)		(0,059)	0,161
Income (loss) before net financial income (expenses) and taxes		**(7,411)**	**(13,004)**
Financial expenses		(3,153)	(12,818)
Financial income		13,341	3,317
Net financial income (expenses)	**18**	**10,188**	**(9,501)**
Income (loss) before taxes		**2,777**	**(22,505)**
Income and social contribution taxes			
Current		-	-
Deferred assets		-	-
Income (loss) for the year		**2,777**	**(22,505)**

See the accompanying notes to the financial statements

Ranbaxy Farmacêutica Ltda.

Statements of changes in quotaholders' equity

Years ended March 31, 2017 and 2016

(In thousands of reais)

	Capital	Accumulated loss	Total
Balance at March 31, 2015	**17.367**	**(50.159)**	**(32.792)**
Income (loss) for the year	-	(22.505)	(22.505)
Balance at March 31, 2016	**17.367**	**(72.664)**	**(55.297)**
Income (loss) for the year	-	2.777	2.777
Balance at March 31, 2017	**17.367**	**(69.886)**	**(52.519)**

See the accompanying notes to the financial statements

Ranbaxy Farmacêutica Ltda.
Statement of cash flows – Indirect method
Years ended March 31, 2017 and 2016
(In thousands of reais)

	Note	31/03/2017	31/03/2016
Cash flows from operating activities			
Income (loss) before taxe		2,777	(22,505)
Adjustments due to:			
Depreciation	**8**	1,668	1,417
Amortization		0,109	0,142
Loss due to depreciation of assets		-	0,034
Provisions for contingencies		2,067	1,405
Allowance for doubtful accounts		0,124	0,003
Provision for inventory losses		0,948	0,239
Other provisions		(3,268)	0,695
Unrealized exchange variations		(7,060)	4,922
Intercompany discounts - unrealized		(0,106)	(0,341)
Income (loss) in the write-off of fixed assets		0,067	0,068
		(2,673)	**(13,920)**
(Increase) decrease in assets and liabilities			
Other investments		1,275	4,115
Trade accounts receivable		(3,238)	(0,064)
Inventories		(2,241)	3,273
Current tax assets		1,275	0,310
Other accounts receivable		(0,024)	0,325
Judicial deposits		0,000	0,210
Taxes and contributions payable		0,334	0,082
Salaries and social security charges		0,034	(0,193)
Suppliers		5,510	3,344
Payment of tax contingencies		1,964	1,977
Other accounts payable		0,040	2,637
		4,931	**16,017**
		2,258	**2,097**
Interest paid on loans	**18**	(2,377)	(1,817)
Cash from operations		(0,120)	0,280
Income and social contribution taxes paid in the year		(0,093)	-
Net cash from operating activities		(0,213)	0,280
Cash flows from investment and financing activities			
Acquisition of fixed assets	**8**	(0,237)	(0,492)
Acquisition of intangible assets		-	(0,135)
Net cash used in financing activities		(0,237)	(0,627)
Decrease in cash and cash equivalents		**(0,449)**	**(0,347)**
Statement of decrease in cash and cash equivalents			
At the beginning of the year	**4**	2,688	3,035
At the end of the year	**4**	2,239	2,688
		(0,449)	**(0,347)**

See the accompanying notes to the financial statements

Notes to the financial statements
(In thousands of reais)

1 - *Operations*

Ranbaxy Farmacêutica Ltda., established on October 27, 1993 with tax domicile in Rio de Janeiro State, is mainly engaged in manufacturing and importing allopathic medicine for human use, as well as distributing and selling pharmaceutical products.

The Company's administration is located at Alameda Tocantins, 125, 11th floor, room 1,101 Alphaville, Barueri, São Paulo State, duly registered with JUCESP and operating as administrative office.

1.1 - *Administration plan for 2016 and 2017*

Balance sheet for the year ended March 31, 2017 presents quotaholders' deficit of R$ 52,519.

Management understands that values will be reversed in coming years, considering the change in adopted commercial strategy; until now, continued increase in sales was considered without taking into account head plant's production capacity, generating sale losses and resulting in space in sales points.

We have created a channel of direct communication with production, through which production plan for the following three months are discussed with participation of the commercial area; this will probably result in increased sales.

Another important issue is related to authorization for medicines, as they are in the process of being approved by the Health regulatory agency. Studies show that with these approvals, we will create a new trading channel and the Company will reverse accumulated losses in coming years.

2 - *Presentation of financial statements*

Financial statements have been prepared in accordance with accounting practices adopted in Brazil and its issuance was authorized by the Executive Board on May 8, 2017.

The Company adopts Law No. 6.404/76, as its amendments introduce by Law No. 11.638/07, which modified, revoked and introduced new provisions to the Corporate Law.

Said law had the purpose of updating the Brazilian corporate law to allow a process of convergence of Brazilian accounting practices to those of International Financial Reporting Standards (IFRS/IAS).

2.1 *Functional and presentation currency*

The financial statements are being presented in Brazilian Real, functional currency of the Company. All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

2.2 *Use of estimates and judgments*

The preparation of financial statements according to accounting practices adopted in Brazil requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information on assumptions and estimates that pose a high risk of resulting in a material adjustment within the next years are included in the following notes:

Note 7 – Estimated losses for allowance for doubtful accounts
Note 8 - Adjustment for obsolescence of inventories
Note 10 - Review of useful life of property, plant and equipment
Note 14 – Provision for contingencies

3 *Summary of significant accounting practices*

a. *Statement of operations*

The income from the company's operations are calculated on the accrual basis.

Operating income from sale of products, as well as costs and expenses, are recognized in income upon realization, that is, when there is convincing evidence that most significant risks and benefits inherent to ownership have been transferred to the buyer.

a. Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, and highly-liquid financial investments. Financial investments are recorded at cost plus yearly yield, as duly regulated by the Brazilian Central Bank.

b. Trade accounts receivable

Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company is responsible, less the taxes withheld, which are considered tax credits.

The estimated losses for doubtful accounts was calculated at an amount considered adequate by the management to cover any losses arising on collection of accounts receivable, expired for more than 12 months and or when receivables are uncollectible.

As provided for in CPC 12. adjustment to present value was not recorded since it has no material effect in the financial statements.

c. Inventories

Inventory is shown based on the historical cost of acquisition and production, increased by expenditures related to transportation, storage and non-recoverable taxes. In case of industrialized, in progress and finished products, inventory includes general manufacturing expenditures based on the normal capacity of production. Cost is calculated under the moving weighted average cost method. The amounts of recorded inventories do not exceed the net realizable value. The net realizable value, which corresponds to the sales price estimated for the normal course of the businesses, less estimated execution costs and those selling expenses.

d. Fixed assets

- **Property, plant and equipment**

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses, if applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located.

Leasehold improvements are amortized according to the respective lease term.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "Other income" in the income (loss).

Other expenditures are capitalized only when there is an increase in the future economic benefits to the item of property, plant and equipment. All other expenditures are recognized in the income (loss) as an expense when incurred.

- **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard of usage of the future economic benefits incorporated to the asset. Land is not depreciated.

Estimated useful lives are as follows:

	Years
Machinery and equipment	10
Furniture and fixtures	10
IT equipment	5
Vehicles	5
Leasehold improvements	5

Depreciation methods were reviewed and new rates will be adopted. Closing of financial year and possible adjustments are recognized as changes in accounting estimates.

- **Intangible assets**

It is assessed at cost, less accumulated amortization and impairment losses, if applicable.

The Company's intangible assets are comprised of software with defined useful lives. Amortization is recorded in the statement of operations for the year under caption "Depreciation and amortization".

The estimated useful life for the current year and comparative are presented below: Years

Software	10

- **Asset impairment**

In accordance with Section 27, NBC TG 1000 – Accounting for Small and Medium-Sized Enterprises.

Aims at ensuring that assets are not stated at a value above that likely to be recovered over time by use in an entity's operations or by means of a possible sale. The Company conducted impairment tests on all its assets and determined depreciation losses.

e. Current and non-current liabilities

Current and non-current liabilities are stated at known or calculable amounts, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred through the balance sheet date.

f. Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The provision for payment of bonus on individual performance was formed and the liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

g. Loans and financing

Financial charges and monetary variations on borrowings are accounted for on the accrual basis in accordance with the terms of the agreements. Borrowings mainly comprise agreements entered into to enable an expansion of the production capacity, modernization and fulfillment of working capital needs.

h. Provisions

A provision is recognized in the balance sheet when the Company has a constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved.

i. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income.

Current taxes are the taxes payable or receivable on the taxable income or loss for the year, at tax rates enacted or substantively enacted on the reporting date, and any adjustments to taxes payable in relation to prior years.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

The Company did not record deferred income and social contribution taxes in the year.

j. Financial instruments

Financial instruments are recognized only as from the date the Company become a party to the contractual provisions of the financial instruments. When recognized, they are initially recorded at its fair value plus any transaction costs directly attributed to its acquisition or contracting. As of March 31, 2017, book value of the Company's financial instruments, represented mainly by cash and cash equivalents, trade accounts receivable, trade accounts payable and loans raised with financial institutions and related companies, are equivalent to their market values. The Company does not enter into index exchange transactions (SWAP) or transactions involving Risk Derivatives. Other Assets and Liabilities

An asset is recognized in the balance sheet when it is likely that its future economic benefits will be created in favor of the Company, and cost or value can be safely measured.

Current and non-current liabilities are stated at known or calculable amounts, plus, when applicable, the corresponding charges and monetary variations incurred through the balance sheet date.

Provisions are recorded considering the best estimates of the risk involved. Therefore, financial statements include many estimates that consider objective and subjective factors based on Management's judgment to determine amounts to be recorded. The settlement of transactions involving these estimates may result in significantly different amounts described in the financial statements due to the lack of precision inherent to the process of their determination, for this reason the Management periodically reviews such estimates and assumptions.

Estimates and assumptions are used when determining useful lives of fixed assets, when forming a provision for a possible risk of non-realization of accounts receivables, and when analyzing other risks for determining other provisions, including contingent liabilities and similar items, and when evaluating financial instruments and other assets and liabilities as of the balance sheet date.

Realizable rights and maturing obligations are classified as Current assets their realization or settlement occurs in the 12 months subsequent to financial statements presentation date. Otherwise, they will be stated as non-current.

4 Cash and cash equivalents

	2017	**2016**
Cash	3	2
Banks	2,236	2,686
Interest earning bank deposits	307	3,524
Total	**2,546**	**6,211**

5 *Trade accounts receivable*

	2017	2016
Accounts receivable	27,421	20,964
(-) Allowance for doubtful accounts	(3,648)	(3,524)
(-) Provision for income recognition	(4,724)	(1,851)
(-) Provision for returns	(448)	(224)
Total	**18,602**	**15,365**

As of March 31, 2017, the total gross value of the Company's trade notes receivable was distributed over the following maturities:

Falling due - in days:	**R$**	
up to 30 days	5,545	
31–60	7,898	
61–90	7,907	
>91	2,375	
Subtotal		**23,725**
Overdue - in days:		
up to 30	16	
up to 60	33	
up to 90	-	
up to 180	65	
up to 365	35	
>365	3,547	
Subtotal		**3,696**
Overall total		**27,421**

6 *Inventories*

	2017	2016
Products for resale	10,776	12,118
Adjustment for income recognition -Cogs	1,572	828
Raw materials	-	13
Packaging material	11	11
Goods in Transit – Goods	8,868	5,608
Import duties	253	35
Custom Brokers	207	17
Other	6	1
(-) Adj. Net Realization Vl	(14)	(95)
(-) Adj. Recov. Vl Obsolete inventories	(2,669)	(1,766)
Total	**19,010**	**16,770**

Balances of accounts above-identified as (b) – expired inventories, inventories to expire in the following six months, and inventories without movement for more than one year. Management adjusted balances and is awaiting Regulatory Agency's authorization to burn these inventories.

7 *Current tax assets*

	2017	2016
PIS recoverable	1	-
ICMS recoverable	-	1,350
ICMS (State Value-added Tax) – Tax substitution	18	18
ICMS on property, plant and equipment	51	41
IRPJ recoverable	1,703	1,438
Social contribution recoverable	287	277
IRF recoverable	361	572
	2,421	3,696

Amounts recorded as Corporate Income and Social Contribution Taxes on Net Income refer to advances made to Federal Revenue Service and are contemplated in the annual adjustment return.

Regarding ICMS, Rio de Janeiro granted a tax benefit in early 2015, namely, decrease in the ICMS calculation base, thus allowing the total offsetting of the tax credit in 2016.

8 *Property, plant and equipment*

	Machinery and equipment	Furniture and fixtures	Vehicles	Total
Cost				
Balance at March 31, 2016	6,255	6,202	1,560	14,017
Additions	237	-	-	237
Sales and write-offs	(162)	-	(70)	(232)
Transfers	-	-	-	-
Balance at March 31, 2017	6,330	6,202	1,490	14,022
Depreciation				
Balance at March 31, 2016	(4,343)	(3,176)	(1,160)	(8,679)
Additions	(412)	(1,153)	(102)	(1,667)
Sales and write-offs	94	-	58	152
Balance at March 31, 2017	(4,661)	(4,329)	(1,204)	(10,194)
Losses due to depreciation of assets				
Balance at March 31, 2016	(21)	(13)	-	(34)
Additions	-	-	-	-
Sales and write-offs				
Balance at March 31, 2017	(21)	(13)	-	(34)
Property, plant and equipment, net - March 31, 2016	**1,891**	**3,013**	**400**	**5,304**
Property, plant and equipment, net - March 31, 2017	**1,648**	**1,860**	**286**	**3,794**

9 *Suppliers*

	2017	2016
Related parties - foreigners	17,822	15,572
Imports in progress – related parties	8,868	5,608
Total	**26,690**	**21,180**

The Company's exposure to currency and credit risks related to suppliers and other accounts payable are disclosed in note 22.

10 *Loans and financing*

			2017		2016	
Related parties	**Maturity**	**Charges**	**Current**	**Non-current**	**Current**	**Non-current**
Ranbaxy Netherlands	12/01/2016	2.5% p.a.	16,237	47,526	18,190	53,384
			16,237	**47,526**	**18,190**	**53,384**

Loans amounting to US5,000 and US15,000 will mature on August 30, 2017 and January 10, 2019, with payment of half-annual interest calculated with spread of 2.50% p.a. + Libor 6 months, with no contract guarantees.

11 *Social charges*

	2017	2016
INSS payable on payroll	143	84
Withholding INSS (Social security contribution)	6	7
FGTS on payroll	34	90
PIS payable on billing	25	30
COFINS payable on billing	120	144
Withholding PIS/COFINS/CSLL	20	20
Subtotal	**346**	**375**

Taxes and contributions payable

	2017	2016
Withholding income tax (IRRF)	75	67
Withheld Service Tax	3	3
ICMS on sales	236	-
ICMS (State Value-added Tax) – Tax substitution	327	442
ICMS rate difference	21	10
ICMS on provision for destruction of goods	374	150
Union contribution	9	10
Subtotal	**1,045**	**682**
Total	**1,391**	**1,057**

12 Other provisions

	2017	2016
Sales commissions payable (a)	728	2,844
Bonuses to employees payable	740	1,029
Expenses with development of new products	420	-
Administrative services payable	320	232
Fine on Supply Contract	265	265
Storage and freight expenses	384	352
Replacement of logistics operations (b)	930	820
Total	**3,787**	**5,542**

a) The Company uses autonomous Commercial Representatives that are contracted in accordance with Law no. 4,886 of December 9, 1965, and that are remunerated at fixed percentage on primary or secondary sales. In order to reduce labor claims, legal agreements were entered into in the civil area, according to which 1/12 + 1/3 of entire paid commission was paid. For this, provisions were made in 2016 in the amount of R$ 2,231 million, duly paid during 2017.

b) The Company uses the inventories of the largest distributors in the country to fulfill the delivery of goods originating from negotiations held with Independent Pharmacies and pharmacy chains with decentralized delivery, negotiations carried out by the sales force of Ranbaxy. As repayment to the distributors, the Company pays the value pertaining to the Logistic Operation, which ranges between 5% and 10% on the Outgoing Transactions.
Reimbursements are made through bonuses in goods and/or additional commercial discounts. The abovementioned value relates to the cost of logistic operations that are pending adjustments as of March 31, 2017.

13 Contingencies

The Company is party (defendant) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

Based on information from its legal advisors, an analysis of the outstanding legal proceedings, and in respect of labor claims previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the current lawsuits, as follows:

	2017			2016
	Provision	**Judicial deposit**	**Net**	**Net**
Labor	2,611	128	2,483	2,060
Civil	805	554	251	865
	3,416	**682**	**2,734**	**2,925**

Movement of proceedings in the period

	2016	2017			
	Opening balance, Gross	**Addition to provision**	**Write-off**	**Judicial deposit**	**Closing balance, Net**
Labor	2,299	1,934	1,622	128	**2,483**
Civil	1,014	133	342	554	**251**
	3,313	2,067	1,964	682	**2,734**

There are other processes that have been assessed by the Company's legal advisors as being a possible risk in the amount of R$ 17,137 (R$ 14,380 in 2016), for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require that they be recorded. The aforementioned amount, R$ 11,782, corresponds to processes evaluated as possible risk.

a. Summary of labor proceedings

As of March 31, 2017, the Company has 34 cases of labor claims. According to the legal advisors, 16 cases are classified as probable risk of loss and another 18 cases as possible and remote risk of loss. The loss estimates performed are in accordance with the opinion of the advisors and are duly restated by interest and their respective taxes.

b. Summary of civil proceedings

On March 31, 2017, the Company was a party to 43 complaints involving questioning by Anvisa and/or infractions. In accordance with legal advisors, 18 cases are classified as remote risk of loss, and are not included in the provision. The loss estimates performed are in accordance with the opinion of the legal advisors and are duly restated by interest and their respective taxes.

14 Quotaholders' equity

The capital is comprised of 14,971,089 quotas, and 12,482,664 "Class A" quotas at the par value of R$ 1.00 each and 488,425 "Class B" quotas at the par value of R$ 10.00 each, according to the 43rd amendment to the Bylaws dated October 5, 2016, which are distributed as follow:

Quotaholder	**Quotas**	**R$**
Ranbaxy (Netherlands) B.V. - Class A	12,482,663	12,483
Ranbaxy (Netherlands) B.V. - Class B	488,425	4,884
Ranbaxy Holdings UK Limited	1	-
	14,971,089	**17,367**

As of March 31, 2017, the foreign capital registered with the Brazilian Central Bank, which serves as the basis for remittance of dividends and repatriation of capital, totaled R$ 17,367 (equivalent to US$ 12,467).

15 Operating income

	2017	2016
Resale of goods	68,064	68,164
Resale of Samples for Bioequivalence	8	4
Gross income from sales	68,072	68,168
Tax on sales and resales	(5,838)	(5,421)
Returns	(2,054)	(1,322)
(-) Sales deductions	(7,892)	(6,743)
Net operating income	**60,180**	**61,425**

The Company's sales in the domestic market are currently directed to Distributors, drugstore chains, public agencies and hospital distributors.

16 Sales expenses

	2017	2016
Sales commissions (a)	5,373	7,612
Promotional campaigns	656	494
Promotional material	390	336
Congress and events	412	411
Market survey services	938	969
Award goal objective	242	366
Other promotion expenditures	337	367
	8,348	**10,555**

(a) The Company's sales force is made up exclusively of subcontracted sales representatives, a legal entity, duly registered at the Regional Councils of Sales Representatives, and remunerated through fixed commissions on primary and secondary sales.

17 Administrative and general expenses

	2017	2016
Personnel	9,978	12,698
Maintenances of equipment	656	888
Rent expenses	553	626
Electric power expenses	399	545
Provision / Expenditure on contingencies	2,067	1,405
Travel expenses	940	344
Services rendered	2,304	2,478
Regulatory (a)	1,405	1,382
Quality Control	861	986
Taxes and rates	276	425
Other administrative expenses	1,247	264
Depreciation and amortization	1,777	1,559
	22,463	**23,600**

18 *Net financial income (expenses)*

	2017	2016
Financial expenses		
Interest	(2,318)	(2,216)
Foreign exchange variations in liabilities	-	(10,501)
Other	(89)	(101)
	(2,407)	(12,818)
Financial income		
Interest	198	250
Interest on interest earning bank deposits	705	1,877
Exchange variation	10,838	-
Discounts received - Intercompany	106	341
Other	749	849
	12,596	3,317
Total	10,189	3,317

19 *Insurance coverage*

The Company contracted policy no. 180.0000929165 from Tókio Marine Seguradora for asset insurance that guarantees coverage for possible claims in all addresses of the Company in Brazilian territory. Contracted amounts are considered sufficient to cover possible claims, considering the nature of its activity.

At March 31, 2017, the operating risk insurance coverage was comprised of R$ 14,500,000.00.

20 *Financial instruments*

(i) Identification and valuation of financial instruments

The book balances referring to the financial instruments, such as cash and cash equivalents, accounts receivable, recoverable taxes and loans and financing, when compared with the amounts that could be obtained in their trading in an active market or, in the absence hereof, with the net present value adjusted with a basis on the current interest rate in the market, are substantially close to their corresponding market values.

(ii) Credit risk

It results from the possibility of the Company incurring losses arising out of default of their counterparties or financial institutions depository of resources or financial investments. In order to mitigate such risks, the Company adopts as practice an analysis of the financial and equity situation of their operations, as well as the definition of credit limits and permanent follow-up of outstanding positions. As regards financial institutions, the Management only conducts operations with renowned and low risk financial institutions assessed by rating agencies.

(iii) Risk price of goods sold

It results from the possibility of market oscillation of the market price of products marketed by the Company. These price fluctuations may cause substantial changes in its income and costs. In order to mitigate such risks, the Management permanently monitors local and international markets, trying to be ahead of price movements.

(iv) Interest rate risk

Results from the possibility of the Company suffering gains or losses arising from oscillations of interest rates levied on their financial assets and liabilities. Aiming to mitigate this kind of risk, the Management seeks to diversify funding in terms of prefixed or post-fixed rates.

(v) Foreign exchange rate risk

Associated risk derives from the possibility of the Company incurring losses due to foreign exchange fluctuations that would increase values raised in the market. As of March 31, 2016, the Company had liabilities denominated in foreign currency for which there were no hedging financial instruments on that date.

	2017	**2016**
	USD	**USD**
Suppliers	8,427	6,146
Loans	20,125	20,111
	28,552	**26,257**

The following exchange rates were applied during the year:

Average rate		**Closing rate on the date of the financial statements**	
2017	**2016**	**2017**	**2016**
3.2981	3.5919	3.1684	3.5589

Foreign exchange sensitivity analysis

The Company has liabilities denominated in foreign currency in balance sheet as of March 31, 2017 and, for sensitivity analysis, adopted exchange rate of R$3.3268as probable scenario; as possible scenario, increase of about 8.5%.

Accordingly, the schedule below simulates the effects of currency fluctuations on future income (loss) in increase and decrease scenarios:

	Scenarios (increase)		
Foreign exchange risk	**Probable**	**Possible**	**Remote**
Scenarios and price levels	3.3268	3.4400	3.6211
Liability position	94,987	98,218	103,390
Total net effect	4,523	7,754	12,925

	Scenarios (decrease)		
Foreign exchange risk	**Probable**	**Possible**	**Remote**
Scenarios and price levels	3.0100	3.1605	3.3185
Liability position	85,942	90,239	94,750
Total net effect	(4,522)	(225)	(4,286)

(vi) Derivative financial instruments

The Company did not enter into index exchange transactions (SWAP) or transactions involving Derivatives.

21 Approval of Financial Statements and Notes

These financial statements were approved by the Management of Ranbaxy Farmaceutica Ltda., and have been authorized for issuance on May 8, 2017.

Walter Wiesmueller Coelho Filho	Carlos Alberto Almeida
RFC - Regional Finance Controller - BRAZIL	Accountant CRC-RJ 103.509/0-1

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