

Ranbaxy Farmacêutica Ltda.
Financial Statements in
March 31, 2016 and 2015

Ranbaxy Farmacêutica Ltda.
As Sun Pharma Company

Financial statements
March 31, 2016 and 2015

Contents

Independent auditors' report

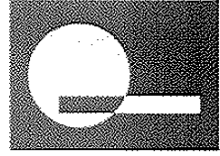
Balance sheets

Statements of operations

Statements of changes in quotaholders' equity

Statements of cash flows

Notes to the financial statements



**PEPPE
ASSOCIADOS**

Consultores & Auditores Independentes

INDEPENDENT AUDITORS' REPORT

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

1 - We have examined the financial statements of **Ranbaxy Farmacêutica Ltda.**, which comprise the balance sheet as of March 31, 2016 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.

Management's responsibility for the financial statements

2 - 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.

Responsibility of the Independent auditors

3 - Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with the Brazilian and international auditing standards. These standards require the fulfillment of ethical requirements by the auditor and that the audit be planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free of significant distortions.

4 - An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In this risk assessment, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Entity, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Entity. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well evaluating the overall presentation of financial statements.

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

Opinion

6 - In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of **Ranbaxy Farmacêutica Ltda.** as of March 31, 2016, the performance of its operations and its cash flows for the year then ended, in conformity with accounting practices adopted in Brazil.

Other issues

7 - The financial statements for the year ended March 31, 2015, are presented for comparison purposes, they were audited by other independent auditors and the report issued on May 20, 2015, did not contain exceptions.

São Paulo, May 16, 2016.



Consultores & Auditores Independentes

CRC-SP nº 2SP021055/O-1

Paulo Cesar R. Peppe
Accountant CRC-SP nº ISP095009/O-5

Renata Reche Simon Peppe
Accountant CRC-SP nº 1SP296480/O-2



Ranbaxy Farmacêutica Ltda.

Balance Sheets

Years ended March 31, 2016 and 2015

(In thousands of reais)

ASSETS	Note	31/03/2016	31/03/2015	LIABILITIES	Note	31/03/2016	31/03/2015
CURRENT				CURRENT			
Cash and cash equivalents	4	2.688	3.035	Suppliers	9	21.874	18.529
Other investments	4	3.524	7.639	Loans	10	18.190	16.343
Trade accounts receivable	5	16.058	15.993	Taxes and contributions payable	11	1.057	975
Inventories	6	16.770	20.043	Salaries and vacations payable		780	973
Current tax assets	7	3.696	4.006	Other provisions	12	5.623	2.986
Total current assets		43,183	51,489	Total current liabilities		47,873	40,165
NON-CURRENT				NON-CURRENT			
Trade accounts receivable		-	-	Provision for contingencies	13	2.924	3.071
Deferred tax assets		-	-	Loans	10	53.384	48.120
Total long-term assets		-	-	Total do passivo não circulante		56,308	51,191
Property, plant and equipment	8	5.304	6.343	Quotaholders' equity			
Intangible assets		396	731	Capital	14	17.367	17.367
Total non-current assets		5.700	7.074	Accumulated losses		(72.665)	(50.160)
				Total quotaholders' equity		(55,298)	(32,793)
Total assets		48,883	58,563	Total liabilities and quotaholders' equity		48,883	58,563

See the accompanying notes to the financial statements



Ranbaxy Farmacêutica Ltda.

Statements of operations
Years ended March 31, 2016 and 2015

(In thousands of reais)

	Note	31/03/2016	31/03/2015
Operating income	15	61.506	57.573
Cost of products sold and services rendered		(40.435)	(29.187)
Gross income		21.072	28.386
Operating expenses:			
Sales	16	(10.560)	(8.462)
Administrative and general	17	(23.596)	(21.534)
Other operating income (expenses)		80	(190)
Income (loss) before net financial income (expenses) and taxes		(13.004)	(1.799)
Financial expenses	18	(12.818)	(20.497)
Financial income	18	3.317	1.046
Net financial income (expenses)		(9.501)	(19.451)
Income (loss) before taxes		(22.505)	(21.250)
Income and social contribution taxes		-	-
Income (loss) for the year		(22.505)	(21.250)

See the accompanying notes to the financial statements



Ranbaxy Farmacêutica Ltda.

Statements of changes in quotaholders' equity Years ended March 31, 2016 and 2015

(In thousands of reais)

	<u>Note</u>	<u>Capital</u>	<u>Accumulated Losses</u>	<u>Total</u>
Balance at March 31, 2014		<u>17.367</u>	<u>(28.910)</u>	<u>(11.543)</u>
Income (loss) for the year		-	(21.250)	(21.250)
Balance at March 31, 2015		<u>17.367</u>	<u>(50.160)</u>	<u>(32.793)</u>
Income (loss) for the year		-	(22.505)	(22.505)
Balance at March 31, 2016	14	<u>17.367</u>	<u>(72.665)</u>	<u>(55.298)</u>

See the accompanying notes to the financial statements



Ranbaxy Farmacéutica Ltda.

**Statement of cash flows – Indirect method
Years ended March 31, 2016 and 2015**

(In thousands of reais)

	<u>Note</u>	<u>31/03/2016</u>	<u>31/03/2015</u>
Cash flows from operating activities			
Income (loss) before taxes		(22.505)	(21.250)
Adjustments due to:			
Depreciation	10	1.417	1.535
Amortization		142	141
Loss due to depreciation of assets		34	(20)
Provisions for contingencies		1.405	518
Allowance for doubtful accounts	5	3	-
Provision for inventory losses		239	821
Other provisions		695	365
Unrealized exchange variations		4.922	7.583
Intercompany discounts - unrealized		(341)	-
Income (loss) in the write-off of fixed assets		68	11
		<u>(13.920)</u>	<u>(10.296)</u>
(Increase) decrease in assets and liabilities			
Other investments		4.115	(6.459)
Trade accounts receivable		(64)	(3.182)
Inventories		3.273	(10.979)
Current tax assets		310	(716)
Other accounts receivable		325	(270)
Judicial deposits		210	223
Taxes and contributions payable		82	571
Salaries and social security charges		(193)	57
Suppliers		3.344	(9.626)
Payment of tax contingencies		1.977	(173)
Other accounts payable		2.637	(100)
		<u>2.097</u>	<u>(40.950)</u>
Interest paid on loans		(1.817)	(329)
		<u>280</u>	<u>(41.279)</u>
Cash from operations		-	-
Income and social contribution taxes paid in the year		-	-
		<u>280</u>	<u>(41.279)</u>
Net cash from operating activities		<u>(1.817)</u>	<u>(329)</u>
Cash flows from investment and financing activities			
Acquisition of fixed assets	8	(492)	(547)
Acquisition of intangible assets		(135)	(335)
Borrowings		-	44.054
		<u>(627)</u>	<u>43.172</u>
Net cash used in financing activities		<u>(347)</u>	<u>1.893</u>
Decrease in cash and cash equivalents		<u>(347)</u>	<u>1.893</u>
Statement of decrease in cash and cash equivalents			
At the beginning of the year		3.035	1.142
At the end of the year	4	2.688	3.035
		<u>(347)</u>	<u>1.893</u>

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, 2016 presents quotaholders' deficit of R\$59,380.

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 there are 42 new medicines 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 16, 2016.

The Company adopts the Law 6404/76 as amended by Law 11638/07, which modified and revoked provisions and included new provisions in 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).

Notes to the financial statements (In thousands of reais)

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 BRL 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 principles 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 – Allowance for doubtful accounts

Note 8 - Provision for obsolescence of inventories

Note 10 - Review of useful life of fixed assets

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 revenue 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.

b. 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.

Notes to the financial statements (In thousands of reais)

c. 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 allowance 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.

d. 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 amount. The net realizable amount, which corresponds to the sales price estimated for the normal course of the businesses, less estimated execution costs and those selling expenses.

e. 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 carrying amount 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 statement of operations as an expense when incurred.

Notes to the financial statements
(In thousands of reais)

• **Depreciation**

Depreciation is calculated on the depreciable values, which is the cost of an asset, or other amount that substitutes cost, less residual values.

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 Companies.

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.

f. 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.

Notes to the financial statements
(In thousands of reais)

g. 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.

h. Loans and financing

Finance 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.

i. 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.

j. 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.

The Company recognizes deferred income tax and social contribution assets on tax loss and negative basis of social contribution, and also on timing differences that exist between the tax base of assets and liabilities and their respective book value. Deferred income tax and social contribution assets are recognized with a basis on the future table income generation expectation. Deferred taxes are measured at tax rates expected to be applied to temporary differences when they are reversed, based on laws enacted or substantively decreed up to the reporting date of the financial statements.

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 tax and social contribution in the year.

Notes to the financial statements
(In thousands of reais)

k. 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, 2016, book values 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 setting up a provision for a possible risk of non-realization of 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

	2016	2015
Cash	2	2
Banks	2.686	3.033
Interest earning bank deposits	3.524	7.639
Total	6.211	10.674

Notes to the financial statements
(In thousands of reais)

5 Trade accounts receivable

	2016	2015
Accounts receivable	21.657	22.791
(-) Allowance for doubtful accounts	-3.524	-3.521
(-) Provision for income recognition	-1.851	-2.703
(-) Provision for returns	-224	-574
Total	16.058	15.993

As of March 31, 2016, the total gross value of the Company's trade accounts receivable was distributed over the following maturities:

<u>Falling due Days:</u>	<u>R\$</u>
up to 30	4.240
31-60	3.154
61-90	8.302
>91	1.680
Sub-total	17.376
<u>Overdue Days:</u>	
up to 30	220
up to 60	251
up to 90	233
up to 180	29
up to 365	24
>365	3.524
Sub-total	4.281
Overall Total	21.657

6 Inventories

	2016	2015
Products for resale	12.118	9.207
Adjustment Revenue Recognition -Cogs	828	1.121
Raw materials	13	13
Packaging material	11	9
Goods in Transit – Goods	5.608	10.680
Import duties	35	377
Custom Brokers	17	223
Other	1	3
(-) Adj. Net Realization VI	-95	-5
(-) Adj. Recov. VI Obsolete inventories	-1.766	-1.585
Total	16.770	20.043

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.

Notes to the financial statements
(In thousands of reais)

7 Current tax assets

	2016	2015
ICMS recoverable	1.350	1.862
ICMS (State Value-added Tax) – Tax substitution	18	101
ICMS on property, plant and equipment	41	101
IRPJ recoverable	1.438	1.369
Social contribution recoverable	277	518
IRF recoverable	572	156
	3.696	4.006

Amounts recorded as Corporate Income Tax and Social Contribution on Net Income refer to advances made to Federal Revenue Service and are contemplated in the annual adjustment return. In the beginning of 2015, Rio de Janeiro State granted tax benefit that reduces ICMS tax credit.

8 Imobilizado

	Cost			Advance for acquisition of property, plant and equipment	Total
	Machinery and equipment	Furniture and fixtures	Vehicles		
Balance at March 31, 2015	6.454	6.302	1.755	20	14.531
Additions	132	360	0	0	492
Sales and write-offs	(331)	(480)	(195)	-	(1.006)
Transfers	-	20	-	(20)	-
Balance at March 31, 2016	6.255	6.202	1.560	0	14.017
Depreciation					
Balance at March 31, 2015	(4.217)	(2.827)	(1.144)	-	(8.188)
Additions	(456)	(755)	(207)	-	(1.418)
Sales and write-offs	330	406	191	-	927
Balance at March 31, 2016	(4.343)	(3.176)	(1.160)	-	(8.679)
Losses due to depreciation of assets					
Balance at March 31, 2015	-	-	-	-	-
Additions	(20)	(13)	(1)	-	(34)
Sales and write-offs	(20)	(13)	(1)	-	(34)
Balance at March 31, 2016	(20)	(13)	(1)	-	(34)
Property, plant and equipment, net - March 31, 2015	2.237	3.475	611	20	6.343
Property, plant and equipment, net - March 31, 2016	1.892	3.013	399	0	5.304

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

Notes to the financial statements
(In thousands of reais)

9 Suppliers

	<u>2016</u>	<u>2015</u>
Related parties - foreigners	16.265	7.849
Imports in progress -- related parties	5.608	10.680
	<u>21.873</u>	<u>18.529</u>

The Company's exposure to currency and credit risks related to suppliers and other accounts payable are disclosed in note 20.

10 Loans and Financing

<u>Related parties</u>	<u>Maturity</u>	<u>Charges</u>	<u>2016</u>		<u>2015</u>	
			<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Ranbaxy Netherlands	12/01/2016	2.5% a.a.	18.190	53.384	16.343	48.120
			<u>18.190</u>	<u>53.384</u>	<u>16.343</u>	<u>48.120</u>

Loans amounting to US\$5,000 and US\$15,000 will mature on August 26, 2016 and January 22, 2017, respectively, with payment of half-annual interest calculated with spread of 2.50% p.a. + Libor 6 months, with no contract guarantees.

11 Social Charges

	<u>2016</u>	<u>2015</u>
Social Security payable on payroll	84	304
Withholding INSS (Social security contribution)	7	7
FGTS on payroll	90	71
PIS payable on billing	30	19
COFINS payable on billing	144	88
Withholding PIS/COFINS/CSLL	20	12
Total	<u>375</u>	<u>501</u>

Taxes and contributions payable

	<u>2016</u>	<u>2015</u>
Withholding income tax (IRRF)	67	236
Withheld Service Tax	3	3
ICMS (State Value-added Tax) -- Tax substitution	442	101
ICMS rate difference	10	9
ICMS on provision for destruction of goods	150	115
Union contribution	10	10
Total	<u>682</u>	<u>474</u>

Notes to the financial statements
(In thousands of reais)

12 Other provisions

	2016	2015
Sales commissions payable (a)	2.844	1.170
Bonuses to employees payable	1.029	61
Expenses with development of new products	-	247
Administrative services payable	232	168
Fine on Supply Contract	265	233
Storage and freight expenses	433	402
Replacement of logistics operations (b)	820	705
Total	<u>5.623</u>	<u>2.986</u>

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 will be entered into in the civil area, according to which 1/12 + 1/3 of entire paid commission will be paid. For this, provisions of R\$2,231 million were recorded and this amount will be paid up to September 2016.

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, 2016.

13 Contingencies

The Company is party (receiver) 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:

	2016	2015
	Provision	Judicial deposit
	Net	Net
Labor	2.299	239
Civil	1.014	149
	<u>3.313</u>	<u>388</u>
	<u>2.925</u>	<u>2.473</u>
	<u>865</u>	<u>598</u>
	<u>3.071</u>	

Notes to the financial statements
(In thousands of reais)

Movement of proceedings in the period

	2015	2016			
	Opening balance, Gross	Addition to provision	Write-off	Judicial deposit	Closing balance, Net
Labor	2.718	1.200	1.619	239	2.060
Civil	1.167	205	358	149	865
	<u>3.885</u>	<u>1.405</u>	<u>1.977</u>	<u>388</u>	<u>2.925</u>

There are other processes that have been assessed by the Company's legal advisors as being a possible risk in the amount of R\$ 104,380 (R\$ 10,744 in 2015), 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.

a. Summary of labor proceedings

As of March 31, 2016, the Company has 33 cases of labor claims. According to the legal advisors, 15 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, 2016, the Company was a party to 46 complaints involving questioning by Anvisa and/or infractions. In accordance with legal advisors, 24 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 41st amendment to the Bylaws dated October 13, 2015, which are distributed as follow:

Quotaholder	Quotas	R\$
Ranbaxy (Netherlands) B.V. - Classe A	12.482.663	12.483
Ranbaxy (Netherlands) B.V. - Classe B	488.425	4.884
Ranbaxy Holdings UK Limited	<u>1</u>	
	<u>14.971.089</u>	<u>17.367</u>

As of March 31, 2016, 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).

Notes to the financial statements
(In thousands of reais)

15 Operating income

	<u>2016</u>	<u>2015</u>
Resale of goods	68.245	64.218
Resale of Samples for Bioequivalence	4	28
Gross income from sales	68.249	64.246
Tax on sales and resales	(5.420)	(4.899)
Returns	(1.322)	(1.774)
(-) Sales deductions	(6.742)	(6.673)
Operating income	61.507	57.573

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

16 Sales expenses

	<u>2016</u>	<u>2015</u>
Sales commissions (a)	7.612	6.024
Promotional campaigns	494	659
Promotional material	336	573
Congress and events	411	-
Market survey services	969	588
Award goal objective	347	318
Other promotion expenditures	391	300
	10.560	8.462

(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

	<u>2016</u>	<u>2015</u>
Personnel	12.698	11.170
Maintenances of equipment	888	725
Rent expenses	626	917
Provision for contingencies	1.405	361
Travel expenses	344	534
Services rendered	2.478	2.458
Other administrative expenses	805	748
Regulatory (a)	1.382	1.712
Quality Control	986	871
Taxes and rates	425	362
Depreciation and amortization	1.559	1.676
	23.596	21.534

Notes to the financial statements
(In thousands of reais)

18 Net financial income (expenses)

	<u>2016</u>	<u>2015</u>
Financial expenses		
Interest	(2.216)	(602)
Foreign exchange variations in liabilities	(10.501)	(19.724)
Other	(101)	(171)
	<u>(12.818)</u>	<u>(20.497)</u>
Financial income		
Interest	250	178
Interest on interest earning bank deposits	1.877	395
Discounts received - Intercompany	341	-
Other	849	473
	<u>3.317</u>	<u>1.046</u>

19 Insurance coverage

The Company contracted policy no. 180.0000294349 from Tókió 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, 2016, the operating risk insurance coverage was comprised of R\$ 14,058,000.00.

20 Financial instruments

(i) Identification and valuation of financial instruments

The book values 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 asset 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.

Notes to the financial statements
(In thousands of reais)

(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) 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.

	<u>2016</u>	<u>2015</u>
	USD	USD
Suppliers	6.146	5.776
Loans	20.111	20.095
	<u>26.257</u>	<u>25.871</u>

The following exchange rates were applied during the year:

	<u>Average rate</u>	<u>Closing rate on the date of the financial statements</u>	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
	3,5919	2,4765	3,5589
		3,5589	3,2080

Notes to the financial statements
(In thousands of reais)

Foreign exchange sensitivity analysis

The Company has liabilities denominated in foreign currency in balance sheet as of March 31, 2016 and, for sensitivity analysis, adopted exchange rate of R\$3.50as probable scenario; as possible scenario, increase and reduction of 5%; and for remote scenario, increase and reduction of 10%.

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

	Scenarios (increase)		
	Probable	Possible	Remote
Exchange risk			
Scenarios and price levels	3,5000	3,6750	3,8500
Asset position	91.900	96.495	101.090
Total net effect	-	4.595	9.190
	Scenarios (decrease)		
	Probable	Possible	Remote
Exchange risk			
Scenarios and price levels	3,500	3,3250	3,1500
Asset position	91.900	87.305	82.710
Total net effect	-	(4.595)	(9.190)

(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 Farmacêutica Ltda., and have been authorized for issuance on May 16, 2016.

Walter Wiesmueller Coelho Filho
CFO - BRAZIL

Carlos Alberto Almeida
Accountant CRC-RJ 103.509/0-1

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