



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

**Ranbaxy Farmacêutica Ltda.**  
As Sun Pharma Company

Financial statements as of  
31 March 2019 and 2018



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

## **Content**

Report of Independent Auditors

Balance Sheets

Statements of income

Statements of changes in stockholders' equity

Cash Flow Statements

Explanatory notes to Financial Statements

## **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, 2019 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 RANBAXY FARMACÊUTICA LTDA as of March 31, 2019, 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, 2019, the Company had an unsecured liability scenario over assets of BRL 69,553 Mn. 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 144,624 Mn 87% 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 6.20.



## **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 20, 2019.



---

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

---

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



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

**Ranbaxy Farmacêutica Ltda.**

**Balance Sheets ended as of 31 March 2019 and 31 March 2018**

*(In thousands of Brazilian Reais)*

<b>Asset</b>	<b>Note</b>	<b>31/Mar-2019</b>	<b>31/Mar-2018</b>	<b>Liability</b>	<b>Note</b>	<b>31/Mar-2019</b>	<b>31/Mar-2018</b>
			(resubmitted)				(resubmitted)
<b>Current</b>				<b>Current</b>			
Cash and cash equivalents	4	603	1,172	Suppliers	9	45,668	30,522
Other investments	4	17,890	7,772	Loans	10	22,162	17,104
Accounts receivable from customers	5	24,649	22,064	Taxes and contribution payable	11	207	702
Inventories	6	29,219	18,968	Salaries and holiday payable		969	777
Current tax assets	7	235	1,895	Other provisions	12	9,831	6,930
Other accounts receivable		664	266	Other accounts payable		812	545
<b>Total of current assets</b>		<b>73,260</b>	<b>52,137</b>	<b>Total of current liabilities</b>		<b>79,649</b>	<b>56,580</b>
				<b>Non-current</b>			
<b>Non-current</b>				Provision for contingencies	13	6,524	4,183
Fixed Assets	8	1,780	1,987	Loans	10	58,451	49,857
Intangible Assets		31	204			<b>64,975</b>	<b>54,040</b>
<b>Total of non-current assets</b>		<b>1,811</b>	<b>2,191</b>	<b>Net Equity</b>			
				Share Capital	14	17,367	17,367
<b>Total of assets</b>		<b>75,071</b>	<b>54,328</b>	Accumulated Losses		(86,920)	-73,659
				<b>Total net equity</b>		<b>(69,553)</b>	<b>(56,292)</b>
				<b>Total of liabilities and net equity</b>		<b>75,071</b>	<b>54,328</b>

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



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

## **Ranbaxy Farmacêutica Ltda.**

### **Statements of income**

**Fiscal years ended as of 31 March 2019 and 31 March 2018**

*(In thousands of Brazilian Reais)*

	<u>NE</u>	<u>31/Mar-2019</u>	<u>31/Mar-2018</u> (resubmitted)
Net Operating Revenue	15	114,578	87,251
Cost of goods sold		<u>(67,057)</u>	<u>(46,441)</u>
<b>Gross Profit</b>		<b>47,521</b>	<b>40,810</b>
<b>Operating expenses:</b>			
Sales	16	(3,545)	(4,199)
Administrative and General	17	(29,864)	(29,469)
Other operating (expenses) income		<u>(3,813)</u>	<u>(2,400)</u>
<b>Earnings before net financial (expenses) revenue and taxes</b>		<b>10,299</b>	<b>4,742</b>
Financial expenses		(20,300)	(6,663)
Financial revenues		1,155	615
<b>Net financial (expenses) revenue</b>	19	<u><b>(19,145)</b></u>	<u><b>(6,049)</b></u>
<b>Profit before taxes</b>		(8,846)	(1,307)
<b>Income tax and social contribution</b>		<b>(4,415)</b>	<b>(2,466)</b>
Current		(4,415)	(2,466)
<b>Income for the fiscal year</b>		<u><b>(13,261)</b></u>	<u><b>(3,773)</b></u>

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



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

**Ranbaxy Farmacêutica Ltda.**  
**Statements of changes in stockholders' equity**  
**Fiscal years ended as of 31 March 2019 and 31 March 2018**  
*(In thousands of Brazilian Reais)*

	<b>Share Capital</b>	<b>Losses Accumulated</b>	<b>Total</b>
<b>Balances as of 31 March 2017</b>	17,367	(69,886)	(52,519)
Income for the fiscal year	-	(3,773)	(3,773)
<b>Balances as of 31 March 2018</b>	17,367	(73,659)	(56,292)
Income for the fiscal year	-	(13,261)	(13,261)
<b>Balances as of 31 March 2019</b>	17,367	(86,920)	(69,553)

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



**Ranbaxy Farmacêutica Ltda.**  
**Statements of Cash Flows - indirect method**  
**Fiscal years ended as of 31 March 2019 and 31 March 2018**  
*(In thousands of Brazilian Reais)*

	<u>Nota</u>	<u>31/Mar-2019</u>	<u>31/Mar-2018</u>
<b>Cash flows from operating activities</b>			
<b>Profit before taxes</b>		(13,261)	(3,773)
Adjust for:			
Depreciation		544	1,821
Amortization		50	82
Provisions for contingencies		137	-
Provision for doubtful receivables		4,040	2,593
Provision for inventory devaluation		(3,345)	47
Other provisions		(1,931)	1,385
Unrealized exchange rate variations		9,781	3,674
Unrealized intercompany discounts		11,873	4,454
Result on fixed asset retirement		124	23
		<u>8,012</u>	<u>10,305</u>
<b>(Increase) decrease in assets and liabilities</b>			
Other investments		(49)	67
Accounts receivable from customers		(2,585)	(2,928)
Inventories		(10,251)	42
Current tax asset		1,661	526
Other accounts receivable		(399)	208
Judicial Deposits		937	(822)
Taxes and contributions payable		(495)	(689)
Salaries and charges payable		192	(38)
Suppliers		15,146	3,773
Payment of tax contingencies		2,887	393
Other accounts payable		266	233
		<u>7,310</u>	<u>766</u>
		<b>15,322</b>	<b>11,070</b>
Interests paid on loans	19	(1,666)	(2,103)
<b>Cash from operations</b>		<u>13,656</u>	<u>8,967</u>
Income tax and social contribution paid on the fiscal year		(3,735)	(2,466)
<b>Net cash from operating activities</b>		<u>9,921</u>	<u>6,501</u>
<b>Fluxos de caixa das atividades de investimentos e financiamentos</b>			
Acquisition of intangible assets	8	(421)	(36)
<b>Net cash used in financing activities</b>		<u>(421)</u>	<u>(36)</u>
<b>Cash and cash equivalents reduction</b>		<u>9,500</u>	<u>6,465</u>
<b>Statement of cash and cash equivalents reduction</b>			
At the beginning of the fiscal year		8,704	2,239
At the end of the financial year	4	<u>18,204</u>	<u>8,704</u>
		<u>9,500</u>	<u>6,465</u>

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



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

## **Explanatory notes to financial statements** *(In thousands of Brazilian Reais)*

### **1 - Operating context**

Ranbaxy Farmacêutica Ltda., incorporated on 27 October 1993, having its tax domicile in the state of Rio de Janeiro, and having as its main economic activity the manufacture and import of allopathic medicinal products for human use, as well as the distribution and sale of pharmaceutical products.

The company has its administration office at Alameda Tocantins, 125, 11<sup>th</sup> Floor, Room 1101, Alphaville, Barueri, São Paulo, duly registered with JUCESP [Board of Trade of the State of São Paulo], whose corporate purpose of is administrative office.

#### **1.1 - Management plan for 2019 and 2018**

The balance sheet ended as of 31 March 2019 has a negative net worth of BRL 69.553.

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.

We have created a channel of direct communication with the productive part, where they discussed the production plan for the following 3 months, with the participation of the commercial area, which could possibly result in increased sales.

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, 12 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 13 May 2019.

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. a - restatement of the Financial Statements closed on 31 March 2018**

Aiming to improve the existing accounting policies, aiming at a better presentation of accounting balances, the group Sun Pharma, opted to reclassify some accounting accounts, making it easier to compare with the information provided in the I-GAAP, have therefore been restated and are varying from the informed balances in the financial statements relating to 2018.

**The aforementioned change in accounting practices had an impact on the balances appearing in the balance sheet as at March 31, 2018, due to the following reclassifications:**

- The balance of BRL 7.532 Mn relating to the Itaú bank, which relates to the short investment of fixed funds, which previously figured as "cash and cash equivalents" in the in the Assets, was now included in the "Other Investments" account in the Assets;
- The balance of BRL 27 related to sales returns, which previously figured as a reduction against "Accounts Receivable from customers" in the Assets, was now included in the "Other Accounts to Pay" in the Liabilities;

**The balances of the Income & Expense Statements, for the y.e. March 31, 2018, are also being restated, since they have undergone major changes, as follows:**

- The amount of BRL 677 related to the Discounts granted on trade receivables, which previously was booked as "Financial Expenses", was now reclassified and became a reduction of the "Operating Revenues" group;
- The amount of BRL 5.842 Mn, arising from reclassifications occurred with the "Administrative Expenses" account, was adjusted, with a reclassification of BRL 6.450 Mn from "Selling Expenses" to "General and Administrative" and plus BRL 608 reclassified from "General and Administrative" to "Selling Expenses", as described below:

Service Provider Adm of Commissions	(118)
Sales Commissions Expenses	(5.334)
Provision for Sales Commissions	(861)
Incentive on Sales Expenses	(119)
Provision for Incentive on Sales	(18)
<b>Sub Total</b>	<b>(6.450)</b>
Travelling Expenses (Sales team)	608
<b>Sub Total</b>	<b>608</b>
<b>Total</b>	<b>(5.842)</b>



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

- About the adjustments made at "Administrative Expenses" group, there was also the amount of BRL 662 reclassified to "Other operating income (expenses)", as described below:

Tax Credit benefit- Pis no cumulative	116
Tax Credit benefit Cofins no cumulative	537
Insurance Claim Recoverable	9
<b>Total</b>	<b>662</b>

- The amount of BRL 64 related to updating of interest on tax credits which previously figured as "Financial Income" was reclassified to "Other operating income (expenses)".

Following the adjustments made to the "Administrative Expenses" group, as described below:

	31/Mar-2018	Reclassification			31/Mar-2018 (restatement)
Operating Income	87,927	(676)			87,251
<b>Operating Expenses</b>					
Selling Expenses	(10,040)	6,450	(608)		(4,198)
General and Administrative	(24,289)	(6,450)	608	662	(29,469)
Other Operating Income (Expenses)	(1,803)			(662) 65	(2,400)
Finance Expenses	(7,340)	676			(6,663)
Finance Revenue	679			(65)	615

## 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.

## 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.

#### **a. 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.

#### **b. 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.

#### **c. 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 value of realization, which corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and those necessary to make the sale.



**d. 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 on 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 depreciation is done in the demonstration of the income statement of the fiscal year, under the heading "Depreciation and amortization".

Along the year, the Corporate decided to interrupt the local partnership project of the Drosperidone product owned by the Chemo S.A, due to the high costs involved. The amount of BRL 128 writed-off was only for the acquisition of the Dossier for technology transfer.

The estimated useful life for the current fiscal and year is:	Years
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.

**e. 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.

**f. 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.

**g. 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.

**h. 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.

**i. 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.



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

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.

#### **j. 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 March 31, 2019, 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.

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.





*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

#### 4 Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash and Banks	603	1.172
Other investments (Finac. Investments)	17.890	7.772
<b>Total</b>	<b><u>18.943</u></b>	<b><u>8.944</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 6.45% pa.

#### 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.

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. In March 2019, Ranbaxy recognized as loss, BRL 3.385 Mn, related to receivable with maturing over than 5 years.

The adjustment related to the recognition of revenue are due to bills that have been invoiced, dispatched and that on March 31, 2019, had not been received by customers.

	<u>2019</u>	<u>2018</u>
Accounts receivable	34.588	33.557
Other accounts receivable	75	74
(-) Provision f/ doubtful settlement Credits	(349)	(3.695)
(-) Revenue adjustment recognition	(9.665)	(7.872)
<b>Total</b>	<b><u>24.649</u></b>	<b><u>22.064</u></b>

On 03/31/19 the total gross value of trade bills receivable from the company, distributed by maturities as follows:

<u>To mature</u>	<u>BRL</u>
Within 30 days	7.556
From 31 to 60 days	14.037
From 61 to 90 days	8.339
Over 91 days	2.076
<b>Subtotal</b>	<b><u>32.008</u></b>
<u>Matured</u>	
Matured within 30 days	245
Matured within 60 days	509
Matured within 90 days	25
Matured within 180 days	1.245
Matured within 365 days	207
Matured over 365 days	349
<b>Subtotal</b>	<b><u>2.580</u></b>
<b>Overall Total</b>	<b><u><u>34.588</u></u></b>



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

## 6 Inventories

	<u>2019</u>	<u>2018</u>
Products for Resale	18.018	13.670
Adjust Revenue Recognition -Cogs	4.521	2.877
Raw material	0	0
Packaging materials	87	14
Goods in transit - Goods	8.462	6.243
Taxes on imports	391	102
Customs Broker	215	46
Others	16	5
(-) Adjustment Net Val of Realization	(242)	0
(-) Adjustment Recoverable Val. Est. Obsolete (a)	(2.249)	(3.989)
<b>Total</b>	<b><u>29.219</u></b>	<b><u>18.968</u></b>

The balances listed in the accounts identified above as (a) - matured 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 bodies for them to be incinerated.

## 7 Current tax asset

	<u>2019</u>	<u>2018</u>
ICMS tax substitution	0	0
ICMS on fixed assets	34	44
IRPJ recoverable	0	1.368
CSLL recoverable	0	299
IRPJ recoverable	201	184
<b>Total</b>	<b><u>235</u></b>	<b><u>1.895</u></b>

The amounts recorded as IRPJ and CSLL in 2018 were advances payments made to the Federal Revenue of Brazil. However, since these were credits over 5 years, their use was rejected by the internal Federal Revenue of Brazil was transferred to expenses.

## 8 Fixed assets

The company has conducted tests of impairment in all its assets and found losses by devaluation.

	<b>Machines and equipment</b>	<b>Furniture And utensils</b>	<b>Vehicles</b>	<b>Advance payment for fixed asset acquisition</b>	<b>Total</b>
<b>Cost</b>					
Balance as of March 31, 2018	6.490	6.063	1.350	0	13.903
Additions	53	0	421	-	474
Disposals and retirements	0	-	(66)	-	(66)
Transference	-	-	-	-	-
Balance as of March 31, 2019	6.543	6.063	1.705	0	14.311
<b>Depreciation</b>					
Balance as of March 31, 2018	(5.141)	(5.632)	(1.109)	0	(11.882)
Additions	(352)	(142)	(50)	-	(544)
Disposals and retirements	0	-	66	-	66
Balance as of March 31, 2019	(5.493)	(5.774)	(1.093)	0	(12.360)
<b>Loss on assets devaluation</b>					
Balance as of March 31, 2018	(21)	(13)	-	-	(34)
Additions	(140)	-	-	-	(140)
Disposals and retirements	-	3	-	-	3
Balance as of March 31, 2019	(161)	(10)	-	-	(171)
<b>Net fixed asset as of March 31, 2018</b>	<b>1.328</b>	<b>418</b>	<b>241</b>	<b>0</b>	<b>1.987</b>
<b>Net fixed asset as of March 31, 2019</b>	<b>889</b>	<b>279</b>	<b>612</b>	<b>0</b>	<b>1.780</b>

## 9 Suppliers

	<b>2019</b>	<b>2018</b>
Related Party - Foreign	37.205	24.279
Imports in progress - related party	8.463	6.243
<b>Total</b>	<b>45.668</b>	<b>30.522</b>

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).



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

### 10 Loans and Financing

			2019		2018	
<u>Related Parties</u>	<u>Maturity</u>	<u>Charges</u>	<u>Current</u>	No <u>Current</u>	<u>Current</u>	No <u>Current</u>
Sun Pharma Netherlands	08/25/2020	2.5% n.a.	22.162	58.451	17.104	49.857
			<b>22.162</b>	<b>58.451</b>	<b>17.104</b>	<b>49.857</b>

The loans, in the amount of USD 5,000 and USD 15,000, respectively expire on 22 August 2020 and 10 January 2020 respectively, with semiannual interest payment, calculated with a spread of 2.50% per annum + Libor 6 months, and there is no contractual guarantees.

We have recorded as interest payable on the amount of BRL 2.678 Mn.

### 11 Taxes and contributions payable

	2019	2018
<b><i>Social contributions payable</i></b>		
INSS payable on payroll	130	125
INSS withheld at source	6	6
FGTS on payroll	30	31
PIS payable on turnover	(4)	7
COFINS payable on turnover	(16)	36
PIS/COFINS/CSSL/ISS withheld at source	21	23
<b>Subtotal</b>	<b>167</b>	<b>228</b>
<b><i>Taxes payable</i></b>		
Income tax withheld at source	94	66
Services tax withheld at source	3	3
ICMS on Sales (c)	(443)	(160)
ICMS on tax substitution	132	127
ICMS on rate differential	7	0
ICMS provision on good destruction	247	438
Contributions to Unions	94	66
<b>Subtotal</b>	<b>40</b>	<b>474</b>
<b>Total</b>	<b>207</b>	<b>702</b>

(C) The adjustment related to ICMS on sales refer to recognition of bills income that have been invoiced, dispatched and that on March 31, had not been received by customers.



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

## 12 Other Provisions

	<u>2019</u>	<u>2018</u>
Provision for Sales Commission (a)	2.071	1.895
Provision for bonus performance	489	594
Provision for development of new products (b)	272	1.177
Provision for Administrative Service Provider	853	225
Penalties of non-delivery/Supplier	212	212
Provision for freight and warehouse cost	637	407
Provision for Margin of distributors (c)	3.400	2.004
Provision for sales campaing	1.113	
Provision for sales return	662	225
Provision for discounts and rebates	122	191
<b>Total</b>	<u><b>9.831</b></u>	<u><b>6.930</b></u>

- 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. Aiming at the reduction of labor claims, judicial settlements in the civil sphere were made, where they were paid 1/12 + 1/3 of the whole commission paid. For this reason, provisions have been made in 2018-19 in the amount of BRL 1.498 Mn. The end of 2018, which shall be paid along the 2019-20.
- b) At the end of 2016, the regulatory agency, Anvisa, decided to update rates from 70% to 300%, because it was an abusive increase, the pharmaceutical industry union Sindusfarma decided to judicial process, guaranteeing the collection of fees to the amounts now practiced. By means of this momentary decision, the administration decided to make a provision for the difference of all fees paid through 2017 in the amount of BRL 1.177 Mn. At the end of 2018, the judicial procedure was revoked and the fees were collected with interest, totaling the amount of BRL 1.044 Mn.
- c) The Company uses inventories of major distributors of the country to meet the delivery of goods from negotiations carried out by the Independent Pharmacies and networks of pharmacies with decentralized delivery, these negotiations carried out by the sale task force of Ranbaxy. By way of compensation to distributors, the Company pays the amount pertinent to logistics operation, which varies between 5% to 7% over these operations of outputs. Reimbursements are made by means of subsidies for goods and/or additional trade discounts. The aforementioned value refers to the cost of logistics operations that are pending of settlements on March 31, 2019.

## 13 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.

Management, based on information from their legal advisors, analysis of lawsuits pending and, regarding labor actions, based on previous experience relating to the amounts claimed, made provision in an amount considered sufficient to cover the probable estimated losses with the lawsuits in course, as follows:



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

	<u>2019</u>			<u>2018</u>
	<b>Provision</b>	<b>Judicial Deposit</b>	<b>Net</b>	<b>Net</b>
Labor	5.748	65	5.683	3.371
Civil	<u>1.342</u>	<u>501</u>	<u>841</u>	<u>812</u>
	<u>7.090</u>	<u>566</u>	<u>6.524</u>	<u>4.183</u>

#### **Lawsuit statuses on the period**

	<u>2018</u>		<u>2019</u>		
	<b>Gross initial balance</b>	<b>Addition to provision</b>	<b>Retirement</b>	<b>Judicial Deposit</b>	<b>Final Net Balance</b>
Labor	4.644	2.325	1.221	65	5.683
Civil	<u>1.043</u>	<u>299</u>	<u>0</u>	<u>501</u>	<u>841</u>
	<u>5.687</u>	<u>2.624</u>	<u>1.221</u>	<u>566</u>	<u>6.524</u>

There are other lawsuits assessed by legal advisors as being of possible or remote risk, amounting to BRL 1.577 (BRL 2,905 in 2018) for which no provision was made, bearing in mind that the accounting practices adopted in Brazil does not require their accounting.

#### ***a. Summary of labor processes***

On March 31, 2019, the Company has 19 cases of labor complaints. In accordance with the legal advisors, 9 cases are classified with risk of probable loss, and although 7 cases have been paid in full, we are awaiting closure at court. There are other 10 cases are classified with risk of loss as possible and remote. The loss estimate is made, in accordance with the opinion of the advisors, and are duly updated regarding interests and their respective taxes.

#### ***b. Summary of civil processes***

On March 31, 2019, the Company had a total of 24 cases of claims and complaints involving notices of infractions or questioning from the Anvisa . According to legal advisors, 10 cases are classified as possible and remote losses, which do not form part of the provision. The loss estimate is made, in accordance with the opinion of the legal advisors, and are duly updated regarding interests and their respective taxes.

## **14 Net Equity**

Share capital is composed of 14,971,089 shares, being 12,482,664 shares of “Class A” on the nominal value of BRL 1.00 each and 488,425 shares of “Class B” in the nominal value of BRL 10.00 each, according to the 45th amendment to the Articles of Association, dated of 16 August 2018, which are distributed as follows:



**Ranbaxy Farmacêutica Ltda.**  
Financial statements as of  
31 March 2019 and 2018

<b>Quota Holder</b>	<b>Quotas</b>	<b>BRL</b>
Sun Pharma Netherlands B.V. - Class A	12,482,663	12,483
Sun Pharma Netherlands B.V. - Class B	488,425	4,884
Ranbaxy Holdings UK Limited	1	-
	<u>14,971,089</u>	<u>17,367</u>

On March 31, 2019, the foreign capital registered at the Central Bank of Brazil, the basis for remittance of dividends and repatriation of capital, totaled BRL 17,367 (equivalent to USD 12,467)

### **15 Operating Revenue**

	<b>2019</b>	<b>2018</b>
Resale of goods	127.311	96.510
Resale of samples for bioequivalence	7	14
Gross revenue from sales	<u>127.318</u>	<u>96.524</u>
Taxes on sales and resales	(9.154)	(7.610)
Finance Discounts	(640)	(676)
Returns	<u>(2.946)</u>	<u>(987)</u>
(-) Sales Deductions	<u>(12.740)</u>	<u>(9.273)</u>
<b>Operating Revenue</b>	<u>114.578</u>	<u>87.251</u>

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

The financial discounts is related to hospital products that were not delivered, and customers received some of penalty in which, because we were co-responsible, we had to reimburse them.

### **16 Expenses with sales**

	<b>2019</b>	<b>2018</b>
Sales Campaign (a)	1.914	1.520
Promotional material	165	370
Congress and events (a)	561	449
Market survey services	487	819
Travelling Expenses	345	608
Other promotion expenses	<u>73</u>	<u>433</u>
	<u>3.545</u>	<u>4.199</u>

(a) Ranbaxy, seeking to increase sales in pharmacies and pharmacy chains, has developed commercial actions, called "molecules focu", which aim to reward cash and gifts.



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

(b) Throughout the year 2018-19, Sun Farma participated in the main trade fairs related to generic medicines and hospital fairs, aiming to promote the Sun Farma brand.

**17 General and Administrative Expenses**

	<b>2019</b>	<b>2018</b>
Personnel	9.040	9.613
Equipment Maintenance	783	740
Expenses with rents	665	591
Expenses with electricity	442	395
Travel expenses	190	563
Services Provided	1.859	1.434
Regulatory	1.680	1.650
Quality Control	1.357	1.399
Taxes and Fees	315	135
Expenses with Sales Commission	6.185	6.195
Expenses with freight and warehouse	5.513	3.987
Other administrative expenses	1.241	864
Other administrative expenses	594	1.903
Depreciation and Amortization	9.040	9.613
	<u>29.864</u>	<u>29.469</u>

**18 Other Operating revenue (expenses)**

	<b>2019</b>	<b>2018</b>
Provision for Contingencies	(4.039)	(2.593)
Tax credit benefit	270	64
Other Operating revenues (expenses)	(44)	129
	<u>3.813</u>	<u>2.400</u>

**19 Net financial (expenses) revenue**

	<b>2019</b>	<b>2018</b>
<b>Financial expenses</b>		
Interests	(3.792)	(2.588)
Passive exchange variations	(16.478)	(4.014)
Outros	(30)	(61)
	<u>(20.300)</u>	<u>(6.663)</u>
<b>Financial revenues</b>		
Interests	37	17
Interest on financial investments	1.113	570
Exchange variations	0	0
Discounts received intercompany	0	0
Outros	5	28
	<u>1.155</u>	<u>615</u>
	<u>(19.145)</u>	<u>(6.049)</u>





## **20 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.

On March 31, 2019, the coverage of insurance against operational risks was composed by BRL 33.000Mn.

## **21 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.

### **(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 March 31, 2019 the company had liabilities, denominated in foreign currency, there is no financial instrument to protect this exposure on that date.

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Suppliers	11.720	9.183
Loans	20.687	20.146
	<u>32.407</u>	<u>29.329</u>

The following exchange rates were applied during the year:

<u>Average Rate</u>		<u>Closure Rate on the date of the Financial Statements</u>		
2019	2018	2019	2018	
3,7844	3,5700	3,8967	3,3238	

### ***Exchange Rate Sensitivity Analysis***

The Company has liabilities linked to foreign currency in the balance sheet as of March 31, 2019, and for the purposes of analysis of sensitivity, adopted as a likely scenario the rate of BRL 4,00.

Therefore, the table below shows the simulation of the effect of the exchange rate variation 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	<u>4,00</u>	<u>4,05</u>	<u>4,10</u>
Passive Position	129.628	131.248	132.869
Total net effect	3.347	4.968	6.588
<b>Exchange Rate Risk</b>	<u>Scenarios (reduction)</u>		
	<b>Likely</b>	<b>Possible</b>	<b>Remote</b>
Scenarios and price levels	<u>3,85</u>	<u>3,80</u>	<u>3,70</u>
Passive Position	124.766	123.147	119.905
Total net effect	(1.514)	(3.133)	(6.375)

### ***(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.



*Ranbaxy Farmacêutica Ltda.*  
Financial statements as of  
31 March 2019 and 2018

***22 Approval of the set of Financial Statements and Explanatory Notes***

These financial statements were approved by the Management of Ranbaxy Farmaceutica Ltda., and authorized for issue on May 13, 2019.

Walter Wiesmueller Coelho Filho  
CFO - BRAZIL

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

\* \* \*