

INDEPENDENT AUDITOR'S REPORT

To the Gentlemen: BOARD OF DIRECTORS AND SHAREHOLDERS OF SUN PHARMA DE VENEZUELA C.A.

We have audited the statement of Financial position of **SUN PHARMA DE VENEZUELA C.A.**, as of March 31, 2018, and the related statement of results, the statement of Changes in Shareholder's Fund and the statement of cash flows, which are relative for the year then ended, comparative with the previous year, which are accompanied, and a summary of significant accounting and legal policies and other explanatory notes.

The preparation and presentation of these Financial Statements is the responsibility of the Company Management, in accordance with the conceptual framework of the aforementioned reports and the Internal Control necessary to issue the financial information free of significant errors, our responsibility is to express an opinion on those financial statements based on our audits.

We carry out our Audit in accordance with the International Accounting Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement or error. An audit includes the examination, based on evidence, of the evidence supporting the figures and disclosures in the financial statements. Also, an audit includes the evaluation of the accounting principles used, of the significant estimates made by management, as well as the evaluation of internal control regarding the presentation of the financial statements as a whole, and the evaluation of the risks, either by fraud or by mistake. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all its material aspects, the financial position of **SUN PHARMA DE VENEZUELA C.A.**, as at March 31, 2018, the result of its operations, the movement of the Shareholder's Fund and the cash flows for the year then ended, in accordance with accounting principles generally accepted in Venezuela VEN IFRS SME.

Caracas, April 25, 2018.

Sign and Seal

Lic. Ruby Cuello Melgarejo

Public Accountant CPC 10.976

SUN PHARMA DE VENEZUELA, C.A.
Comparative Balance Sheet As at 31st March
(Expressed in Constant Bolivars as at 31/03/2018)

	As At 31-03-2018	As At 31-03-2017
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Bank Balances	95,758,785	469,756
Prepaid Expenses	19,600	64,252
Total Current Assets	<u>95,778,385</u>	<u>534,008</u>
Total Assets	<u>95,778,385</u>	<u>534,008</u>
<u>Liabilities and Capital</u>		
<u>Current Liabilities</u>		
Payable to Suppliers	187,299,427	414,520,748
Others Accounts Payable	418,591	21,101
Total Current Liabilities	<u>187,718,018</u>	<u>414,541,849</u>
<u>Non-Current Liabilities</u>		
Inter Company Long Term Loan Payable	211,136,918	316,134,307
Total Non-Current Liabilities	<u>211,136,918</u>	<u>316,134,307</u>
Total Liabilities	<u>398,854,936</u>	<u>730,676,156</u>
<u>Capital and Retained Earnings</u>		
Share Capital	8,513,203	8,513,203
Retained Earnings	-311,589,754	-738,655,351
Total Capital and Retained Earnings	<u>-303,076,551</u>	<u>-730,142,148</u>
Total Liabilities and Capital	<u>95,778,385</u>	<u>534,008</u>

SUN PHARMA DE VENEZUELA, C.A.
Comparative Statement of Income
From 01 April to 31 March
(Expressed in Constant Bolivars as at 31/03/2018)

	From 01-04-17 to 31-03-2018	From 01-04-16 to 31-03-2017
<u>Income</u>		
Sales	0	0
Other Income	0	0
Total Net Income	0	0
<u>Selling, Administrative and General Expenses</u>		
Personnel Expenses	1,502,092	139,473,474
Other General Expenses	129,193,410	121,917,606
Loss on Sales of Fixed Assets	0	143,754,388
Depreciation	0	2,728,478
Total Selling, Administrative and General Expenses	130,695,502	407,873,946
Income (Loss) in Operation	-130,695,502	-407,873,946
Net Income (Loss) in Operation	-130,695,502	-407,873,946
Monetary Gain (Loss) (REME)	557,761,100	1,437,623,591
Total Comprehensive Financing Income (Expenses)	557,761,100	1,437,623,591
Profit (Loss) for the Year before Income-tax	427,065,598	1,029,749,645
Income-tax	0	0
Net Income (Loss) for the Year	427,065,598	1,029,749,645

SUN PHARMA DE VENEZUELA, C.A.**Comparative Statment of Changes in Shareholders' Fund****From April 01 to March 31****(Expressed in Constant Bolivars as at 31/03/2018)**

	2018	2017
Capital		
Share Capital	50,000	50,000
Increase in Capital	<u>0</u>	<u>0</u>
Total Share Capital	<u>50,000</u>	<u>50,000</u>
Reserve & Surplus		
Accumulated Profit / (Loss)	-222,779,739	-174,248,535
Profit (Loss) for the Year	<u>-80,346,812</u>	<u>-48,531,204</u>
Total	<u>-303,126,551</u>	<u>-222,779,739</u>
Legal Reserve	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>
Total Shareholders' Fund	<u><u>-303,126,551</u></u>	<u><u>-222,779,739</u></u>

SUN PHARMA DE VENEZUELA C.A.
Comparative Cash Flow Statement for the Year Ended March 31
(Expressed in Constant Bolivars as at 31/03/2018)

	2018/2017	2017/2016
<u>Cash Flow From Operating Activities</u>		
Net Profit (Loss)	427,065,597	1,029,749,645
<u>Adjustment To Reconcile the Net Income for the Year</u>		
<u>Net Cash from Operating Activities</u>		
Depreciation	0	2,728,479
Profit on Sales of Fixed Asset	0	143,754,389
Cash from Adjustments	<u>427,065,597</u>	<u>1,176,232,513</u>
Net Changes in Operating Assets		
(Increase) Decrease in Assets		
IVA tax credit	0	0
Prepaid expenses	44,652	146,376
Net Cash from Operating Activities		
Increase / (Decrease) Liabilities		
Payable to Suppliers	-227,221,321	-518,105,122
Others Accounts Payable	397,490	-161,865
Inter Company Long Term Loan Payable	-107,997,389	-720,201,517
Net Cash from Operating Activities	<u>92,289,029</u>	<u>-62,089,615</u>
Movement of Cash from Investment Activities		
Increase (Decrease) in Investment Activities		
Purchases of Fixed Assets	0	17,398,708
Cash from Investment Activities	<u>0</u>	<u>17,398,708</u>
Increase (Decreases) in cash and equivalents	92,289,029	-44,690,908
Cash and Equivalents at Beginning of the Year	469,756	45,160,664
Cash and Equivalents at End of the Year	<u>92,758,785</u>	<u>469,756</u>
DETAILS OF REME	2,018	2,017
In Operational Activities	558,087,557	1,469,007,993
In Opening Balances of Cash and Equivalents	-326,457	-31,384,402
	<u>557,761,100</u>	<u>1,437,623,591</u>

SUN PHARMA DE VENEZUELA, C.A.

Notes to the financial statements

As at March 31, 2018 and 2017

(Expressed in constant Bolivars as at March 31, 2018)

(1) Company Activities

Business Description: SUN PHARMA DE VENEZUELA, C.A. is a company incorporated on September 20, 2010, according 2nd Notary Public of Autonomous Municipality of Chacao of Caracas Metropolitan District and filed with the Registry, under No. 29, Volume 2-A in the province Seventh District Capital, its principal object is to carry out all types of activities related to the pharmaceutical industry, including: (i) import, representation, marketing, sales and distribution of pharmaceutical products, (ii) manufacture pharmaceutical products; and (iii) any other lawful activity of trade that the Company deems necessary to achieve its social objective; on the understanding that these activities will be developed in compliance with Venezuelan legal provisions, in which case the Company must obtain the necessary permissions and / or authorizations issued by the competent authorities.

The company started its activity in the month of November 2010 and closed its first fiscal year on March 31, 2011, as contemplated by its constitution document, in the twenty third article.

(2) Basis of Preparation

(a) Compliance Statement

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in Venezuela (VEN IFRS SMEs).

The Federation of Public Accountants of Venezuela (FPAV), according to the decision taken by the Expanded National Board in the month of April 2008, resolved the adoption of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as the accounting principles generally accepted in Venezuela, which have been approved by the Expanded National Board, being the approved date of adoption for large entities at the end of the fiscal year ended on December 31, 2008 or the closure immediately after that date, except for small and medium enterprises (SMEs) and listed on the stock market, with dates and conditions for the adoption entities.

As of December 31, 2008, the FCCPV has published four Application Bulletins of IFS (BA VEN-IFS), which consist of the following:

- **BA VEN-IFS No. 0** (Frame of adoption of International Financial Reporting Standards). Version 5
This Application Bulletin regulates the process of adoption and application of International Financial Reporting Standards (IFRS) to be incorporated as accounting principles generally accepted in Venezuela.
- **BA VEN-IFS No. 1** (Definition of Small and Medium Entities): This bulletin indicates the criteria to be considered to determine whether a company is classified Small and Medium Entities (SME).
- **BA VEN-IFS No. 2** (Criteria for the application in Venezuela of the International Accounting Standard No. 29 (NIC 29) "Financial reporting in hyperinflationary economies"). Version 1.
This Application Bulletin has the purpose of establishing for Venezuela, the criterion for the recognition of the effect of inflation in the Financial Statements issued in accordance with VEN-IFS.

- **BA VEN-IFS No. 3** (Criteria for the application of the General Price Index for the restatement of financial statements in Venezuela).
 These financial statements as of March 31, 2018, prepared in accordance with accounting principles of general acceptance in Venezuela (VEN-IFS SMEs), have been authorized for issuance by management on April 25, 2018. However, the Shareholders Assembly could make any modification on these financial statements.
- **BA VEN-IFS 4 (Definition of the authorization date of the financial statements for publication, within the framework of the regulations contained in the Venezuelan Commercial Code), Version 1.**
 The purpose of this Application Bulletin is to determine the date of authorization of the financial statements for publication in Venezuela, within the framework of the regulations contained in the Venezuelan Commercial Code.
- **BA VEN-IFS 5** (Criteria for the interpretation of the Total Integral Result, in accordance with VEN-IFS), Version 1
 The purpose of this application bulletin is to establish the use of a uniform approach in the presentation of the total comprehensive result in accordance with VEN-IFS, and to define the calculation basis for the formation of reserves and undistributed earnings available for dividends.
- **BA VEN-IFS 6** (Criteria for the Application in Venezuela of VEN-IFS SMEs), Version 1.
 The purpose of this Application Bulletin is to describe the conditions and / or characteristics that small and medium-sized entities must have, only for the purposes of the application for the first time of the VEN-IFS for the periods beginning on or after the 1st. January 2011, as well as for the year beginning after December 31, 2009, when such entities have decided the early application of VEN-IFS SMEs; and identify the situations in which an entity will change its classification of large entity to small and medium entity or vice versa, for the purposes of the application of VEN-IFS.
- **BA VEN-IFS 7** (Use of Revaluation as Attributed Cost in the Opening Financial Statements), Version 1.
 The purpose of this bulletin is to establish the treatment for the use of the Revaluation as an Attributed Cost in the Opening Financial Statements, which must be applied by the entities that adopt the VEN-IFS-SME; and determine the conditions for the recognition in accumulated earnings of the RETANM.
- **BA VEN-IFS 8** (Accounting Principles Generally Accepted in Venezuela VEN-IFS), Version 2
 This Application Bulletin classifies the Generally Accepted Accounting Principles in Venezuela (VEN-IFS) and identifies the pronouncements that comprise them.
- **BA VEN-IFS 9**, (Accounting Treatment of the Social Benefits Scheme and Compensation for Termination of the Work Relationship), Version 0
 This application bulletin has the purpose of prescribing the accounting treatment that according to VEN-IFS must be applied by the entities to:

 - a) The system of social benefits contained in the LOTTT from the beginning of the employment relationship until the end of the same for any of the reasons provided for in the aforementioned Law and,
 - b) Compensation for termination of the employment relationship due to causes beyond the control of the worker, as provided in the LOTTT.
- **BA VEN-IFS 10**, (Alternative treatment for recognition and measurement of the effect of possible variations in the exchange rate at the settlement date of liabilities denominated in foreign currency), Version 0.
 This Application Bulletin is intended to prescribe the alternative accounting treatment of the impact on the financial information derived from the recognition and measurement of the possible variation in the exchange rate applicable to liabilities denominated in foreign currency associated with Foreign Currency Acquisition Authorizations (FCAA). or equivalent documents, for those situations in which an entity demonstrates a reasonable expectation of generating future economic benefits and complying with the Running Business Hypothesis.

- **BA VEN-IFS 11** (Recognition of deferred tax liability arising from the elimination of the adjustment system for fiscal inflation in Venezuela), Version 0.

This Application Bulletin has the purpose of prescribing the alternative accounting treatment of the effect that occurs on financial information, derived from the suppression of the Fiscal Inflation Adjustment System in Venezuela for taxpayers qualified as special by the customs and tax administration.

Additionally, the FPAV issued a clarification on the "Accounting treatment applicable to transactions and balances denominated in foreign currency under the Venezuelan exchange control regime", which is current as of March 31, 2018

(b) Measurement Base

The FPAV established the criteria for application in Venezuela of the International Accounting Standard Section 31 of the IFRS for SMEs "Financial reporting in hyperinflationary economies" and Application Bulletin No. 2 (BA VEN-IFS 2) "Criteria for Venezuela's application of section 31 of the IFRS for SMEs financial reporting in hyperinflationary economies". The Bulletin establishes that entities in the preparation and presentation of financial statements in accordance with VEN-IFS, must submit restated financial information when the accumulated inflation during their fiscal year exceeds one digit. When inflation is single digit, management must assess their impact on financial information and, if relevant, in accordance with the general principles of materiality, comparability and sufficient disclosure, should recognize, for the purposes of which provisions apply to the section 31 of the IFRS for SMEs.

The Company uses, related to the presentation of its financial statements restated for the effects of inflation, the current cost approach, laid down in section 31 of the IFRS for SMEs. The preparation of financial statements for the current cost method is to update the financial statements based on changes in the National Consumer Price Index (NCPI) published by the Central Bank of Venezuela (CBV).

The main NCPI issued by the Central Bank of Venezuela to recognize the effects of inflation were the following:

	NCPI <u>accumulated</u>
NCPI as of March 31, 2017	10,400.67
NCPI as of March 31, 2018	34,095.00
NCPI average for the year 2017-2018	20.960.34

Indexes for the period April 2017 to March 2018 were calculated according to the Standard BA VEN IFS 2, Paragraph No. 18, based on the procedure for determining the NCPI estimate and the calculus of variations, starting from the last index published by the Central Bank of Venezuela.

Non-monetary assets as property, furniture and equipment are presented at their acquisition cost, updated in bolivars of purchasing power as of March 31, 2018 using the NCPI the basis for calculating the dates of acquisition of such assets. Depreciation of property, furniture and equipment is calculated on the adjusted cost of the NCPI, using the straight-line method based on estimated useful lives.

The social capital, legal reserve and Accumulated Profit (Loss) were updated using the coefficient derived from the NCPI, from the date of contribution or generation.

Revenues, costs and expenses associated with monetary items were restated to present their purchasing power as of March 31, 2018, based on the NCPI existing at the date of its recognition as earned or caused; costs and expenses associated with nonmonetary items were restated in bolivars of purchasing power of March 31, 2018, depending on the consumption, sale and depreciation of such consignments.

The monetary result of the exercise is the difference between the net monetary position at the date of the financial statements and the estimated net monetary position, which is determined by adjusting the monetary

position at the beginning of the year, the change in the CPI during the period; more or less net movement in the items affecting, up-to-date financial statements based on the NCPI by the positions corresponding period.

The financial statements for 2017 have been restated to bolivars as of March 31, 2018, using the coefficients NCPI, that the comparison is in terms of a currency unit of homogeneous purchasing power.

(c) Functional and Presentation currency

The Company has determined that the Bolivar (Bs.) represents its functional currency, in accordance with the provisions of section 30 of IFRS for SMEs, International Accounting Standard section 31 of the IFRS for SMEs "Effects of change in exchange rates of foreign currency". To determine its functional currency, it was considered that the main economic environments of the Company's operations are conducted in the domestic market. Therefore, the transactions in currencies other than the bolivar are considered "foreign currency".

According to the provisions of the Decree with Rank, Value and Force of Law on Currency Conversion, which was published on March 6, 2007, in Official Gazette No. 38.638, as of 1 January 2008, the unit monetary system of the Bolivarian Republic of Venezuela is expressed in Bolivars (Bs.). The financial statements as of March 31, 2018 and 2017 are presented in Bolivars.

(d) Estimates and Judgments use

The preparation of financial statements in conformity with accounting principles of generally accepted in Venezuela (VEN-IFS SMEs), requires that the Company management made a number of judgments, estimates and assumptions that affect the application of accounting policies in relation with the amounts presented of assets, liabilities, income and expenses informed during the correspondent period. The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable under the current circumstances; the result is the basis for forming judgments about the carrying value of assets and liabilities that are not readily determinable by other sources. The most significant items subject to such estimates and assumptions include the fair value of property furniture and equipment, deferred costs, deferred income tax. The final results may differ from such estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. The review of the accounting estimates are recognized in profits and losses for the year of revision if the revision affects only that year, or profit or loss of the year of the revision and future periods, if the revision affects the current period and future years.

(3) Significant Accounting Policies

Policies and significant accounting principles have been consistently applied in the preparation of financial statements, and are presented below:

(a) Current and noncurrent balances classification

The balances presented in the accompanying balance attachments are classified according to their maturity, i.e. as current or those with a maturity equal or lower than twelve months, and as non-current exceeding the maturity that period.

(b) Cash and cash equivalents

For purposes of the cash flow statement, the Company considers all highly liquid investments acquired in securities with a maturity of three months or less, as cash equivalents.

(c) Financial assets at fair value with through profits

This category is classified as financial assets for trading and financial assets at fair value with effect on results by voluntary designation at the date of incorporation. A financial asset is classified in this category when it is acquired for the purpose of selling it in the short term or if it is designated by the Management when it is purchased. The unrealized gain or loss in the valuation of these assets is included in the results of the year.

(d) Property, furniture and equipment

Recognition and Measurement

The property, furniture and equipment are stated at acquisition cost, expressed in bolivars of purchasing power as of March 31, 2018, determined by the NCPI, which doesn't exceed the recoverable value through future operations of the Company.

Depreciation

The depreciation for the year is recognized in profit and loss using the straight-line method, based on the cost updated by inflation and in accordance with the useful lives estimated by management. Depreciation methods, useful lives and residual values are reviewed on each presentation date

(e) Income tax

The income tax for the year consists of current and deferred tax. The current income tax is the expected tax payable calculated on the taxable income of the year using the tax rates in effect at the balance sheet date as well as any adjustment to the tax payable of previous years.

The income tax expense comprises the sum of current income tax and deferred income tax.

The Company records the income tax in accordance with the International Accounting Standard section 29 of the IFRS for SMEs: "Income tax accounting", which requires a method of assets and liabilities for the accounting of income tax . According to this method, the deferred income tax reflects the net effect of the tax consequences that are expected in the future as a result of: a) "Temporary differences" by the application of statutory tax rates applicable in future years on the differences between the amounts, according to the balance sheet and the tax bases of existing assets and liabilities and; b) tax credits and transferable tax losses. Additionally, according to section 31 of the IFRS for SMEs, the effect on the deferred tax of variations in tax rates is recognized in the year's profit, from the date of origin. A deferred tax asset is recognized when it is considered that there are likely to be future taxable profits that allow it to be used.

The main items that generate deferred tax are the differences between the tax bases and financial bases of property, plants and equipment, inventories, and some provisions that will be deductible expenses in future years; as well as transferable fiscal losses. A deferred tax should be recognized for transferable tax credits to future periods, provided there is a reasonable assurance that there will be taxable income in the future, which allows

the recovery of those tax benefits. Having a history of recent losses is evidence that the benefit of the transferable tax losses cannot be realized and, consequently, a deferred tax asset should not be recognized in these circumstances.

(f) Share Capital

Common shares are classified as equity. As at March 31 2018 and 2017, the Company has no preferred shares.

(g) Deterioration

Financial assets

A financial asset is considered to be impaired, when there is objective evidence of the occurrence of an event with negative effects on the estimated future cash flows of that asset.

Non-Financial Assets

The book value of the Company's non-financial assets, such as Property, plant and equipment, are reviewed on the date of each balance sheet to determine any indication of impairment. When an event or change in circumstances indicates that the book value of such assets has deteriorated, the recoverable value is estimated.

(h) Revenue Costs and Expenses Recognition

The Revenues comprise the fair or market value of the products sold, net of sales taxes, returns and discounts. Revenues from product sales and other income are recognized as detailed below:

The Revenues from the sale of products are recognized when they are dispatched and accepted by the customer, and the risk and ownership of the products have been transferred to the buyer.

The Interest income and expenses are recognized on a proportional basis of time and using the effective interest method.

The Costs and expenses are recognized in the results to the extent that they are incurred. The revenues and direct costs of contracts for services entered into with customers are recognized during the term thereof. The anticipated collections of unrealized revenues are recognized as deferred credits in the current liabilities of the balance sheet.

(i) Commitments and Contingencies

Obligations or losses associated with contingencies, originating in claims, litigation, fines or penalties in general, are recognized as liabilities in the balance sheet when there is a certain legal obligation resulting from past events, it is likely that an outlay will be necessary to pay the obligation and the amount can be reasonably estimated. Otherwise, the qualitative details of the situation causing the contingency are disclosed in the notes to the financial statements. The relevant commitments are disclosed in the notes to the financial statements. No income, gains or contingent assets are recognized.

(j) Cash Flow Statement

The cash flow statement presents the cash change of constant purchasing power, based on the financial situation at the beginning of the year, updated in terms of bolivars purchasing power as at March 31, 2018.

(4) Taxes:

Income tax

The provision for income tax comprises the sum of the current income tax payable and the deferred income tax when it is significant.

Venezuelan tax legislation annually contemplates the calculation of a regular adjustment for inflation of its non-monetary items, which is included in the reconciliation of net tax income as a taxable or deductible item as the case may be. Regarding fixed assets and other similar assets, this regular adjustment for inflation is depreciated or amortized over the rest of the fiscal useful life of the respective assets. In the case of inventories, this adjustment is considered in the cost of selling the products once consumed or sold. This total regular adjustment of the year is determined by the algebraic sum of the amount of the different adjustments for inflation of each non-monetary item.

Likewise, in accordance with said legislation, amended in November 2014, the Company may transfer territorial operating fiscal losses, other than those caused by the fiscal adjustment for inflation, up to three (3) years subsequent to the year in which they are incurred, and said imputation does not exceed 25% of the enrichment obtained in each period. The possibility of transferring the losses from the adjustment for inflation is eliminated.

For the year ended March 31, 2018, the Company generated a fiscal result of Bs. (33,029,543), which means that it does not generate Income Tax to pay for the period.

Value-added tax

In May of 1999, it was published in the extraordinary official gazette number 5.341, the decree with force of law that establishes the Value Added Tax, being repealed the Law of the Excise Tax and the Wholesale Sales. This tax is levied on the alienation of movable property, the provision of services and the importation of goods, applicable throughout the national territory. The tax caused in favour of the National Treasury, in the terms of this decree, will be determined by periods of taxation of one (1) calendar month, in the following manner: the total amount of the fiscal debits, duly adjusted if it were the case that legally correspond to the taxpayer for the taxed operations corresponding to the period of taxation, the amount of the tax credits will be deducted or subtracted, whose deductibility or subtraction is entitled to the same taxpayer.

Deferred income tax

The main items that general deferred tax are the differences between the tax bases and the financial bases of property, plants and equipment, inventories and some provisions that will be deductible expenses in future periods; as well as transferable fiscal losses. A deferred tax should be recognized for transferable tax credits to future periods, as long as there is a reasonable assurance that there will be taxable income in the future, allowing the recovery of those tax benefits. Having a history of recent losses is evidence that the benefits of the transferable tax losses cannot be realized and consequently an active deferred tax should not be recognized under those circumstances.

Law of Science, Technology and Innovation

On October 16, 2006 the "Partial Regulations of the Organic Law of Science, Technology and Innovation referred to investment contributions" was published, whose Law was promulgated on August 3, 2005. These regulations

establish companies whose gross income exceed 100,000 tax units, have the obligation to invest during the year in the technological and scientific activities of social development indicated in the Law or, failing that, to pay a contribution equivalent to the amount left to invest to the competent body attached to the Ministry of Science and Technology. This Law came into force as of its publication on August 3, 2005 and, by express mandate of the Law, the established contributions must be made as of January 1, 2006.

The aforementioned contribution or investment ranges between 0.5% and 2% of the total gross income of the Companies, depending on the economic activity in which they perform and is determined on the gross total income of the previous year.

Organic Law on Drugs (ONA)

In October 2005 the "Organic Law against Illicit Traffic and Consumption of Narcotic and Psychotropic Substances" was published, repealing the one issued in 2003. This Law establishes that legal entities that employ more than 50 workers must allocate 1% of its annual net profit to programs of prevention against the traffic and consumption of drugs that benefit their workers and their families; of this percentage, 0.5% will go to programs for children and adolescents.

Organic Law of Sport and Physical Activity

In Official Gazette No. 39,741 dated 23/08/2011, the Organic Law of Sport and Physical Activity was published, which establishes the bases for physical education, regulating the promotion, organization and administration of sport and physical activity as public services, as well as its management as an economic activity with social purposes. This contribution will be 1% on Net Income, when it exceeds 20,000 UT. By multiplying the value of the UT. This contribution will not constitute a tax on Income Tax.

Law of Fair Costs and Prices

In Official Gazette No. 39.715 of the date 18/07/2011, the Law of Fair Costs and Prices was published, which establishes the regulations as well as the administration and control mechanisms necessary to maintain price stability and promote access to goods of services to the entire population under equal conditions.

Registration Regime: In its Art. 11: The National Superintendence of Costs and Prices will dictate the norms by means of which the regime of the National Registry of Prices of Goods and Services is established, related to its creation, organization, operation, conditions, requirements, duties, procedures, processing and use of the information and, in general, all the aspects that are necessary for the obtaining and administration of the information by the aforementioned Registry.

(5) Shareholder's Fund

(a) Share Capital

As of March 31, 2018, the nominal capital stock of the Company is comprised as detailed below.

The evolution of the actualization is due to the inflation effect of the share capital is detailed below:

PERIOD	SUBSCRIBED AND PAID CAPITAL	ADJUSTMENT FACTOR	UPDATING OF CAPITAL
Sep-10	50000	170.32	8,513,203
	50,000		8,513,203

The Company's equity at constant values as 31-03-2018, presents a deficit of Bs. 311,589,754, thus violating the content of Art. 264 of the Venezuelan Commercial Code, and the shareholders must replace the lost capital.

(b) Legal Reserve

The bylaws of the Company establish the creation of a Legal Reserve Fund, calculating on the basis of 5% of the profits settled up to form a minimum of 10% of the share capital. This reserve is not Susceptible of being distributed to shareholders as dividends during the existence of the Company.

(6) Monetary Result (REME)

SUN PHARMA DE VENEZUELA C.A.

DEMONSTRATIVE STATEMENT OF THE MONETARY RESULT
Year ended 31 de March 2018 and 2017

	2018		2017	
	Historical	Restated	Historical	Restated
Passive monetary position at the beginning of the year	-222,729,739	-730,143,587	-179,017,635	-1,923,774,828
Add				
Sales of Fixed Assets	0	0	5,307,473	5,307,473
Less				
Personal expenses	923,431	1,502,092	26,155,945	139,473,475
Other expenses	79,420,013	129,193,410	22,863,632	121,917,605
	<u>80,343,444</u>	<u>130,695,502</u>	<u>49,019,577</u>	<u>261,391,080</u>
final Recorded Monetary position	-303,076,551	-860,837,651	-222,729,739	-2,167,767,176
Final Estimated Monetary position	<u>-303,076,551</u>	<u>-303,076,551</u>	<u>-222,729,739</u>	<u>-730,143,587</u>
Monetary Result		<u>-557,761,100</u>		<u>-1,437,623,589</u>

(7) Complementary financial statements expressed in nominal bolivars, based on historical cost.

For purposes of analyzing its financial statements, the Company presents historical cost financial statements for the 2017/2018 period, as supplementary information (Annexures 1,2,3 and 4).

SUN PHARMA DE VENEZUELA, C.A.
Comparative Balance Sheet As at 31st March
(Expressed in Historical Bolivars)

Anex 1

	2018	2017
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Bank Balances	95,758,785	143,299
Prepaid Expenses	19,600	19,600
Total Current Assets	<u>95,778,385</u>	<u>162,899</u>
Total Assets	<u>95,778,385</u>	<u>162,899</u>
<u>Liabilities and Capital</u>		
<u>Current Liabilities</u>		
Payable to Suppliers	187,299,427	126,449,484
Others Accounts Payable	418,591	6,437
Total Current Liabilities	<u>187,718,018</u>	<u>126,455,921</u>
<u>Non-Current Liabilities</u>		
Inter Company Long Term Loan Payable	<u>211,136,918</u>	<u>96,436,717</u>
Total Non-Current Liabilities	<u>211,136,918</u>	<u>96,436,717</u>
Total Liabilities	<u>398,854,936</u>	<u>222,892,638</u>
<u>Capital and Retained Earnings</u>		
Share Capital	50,000	50,000
Retained Earnings	<u>-303,126,551</u>	<u>-222,779,739</u>
Total Capital and Retained Earnings	<u>-303,076,551</u>	<u>-222,729,739</u>
Total Liabilities and Capital	<u>95,778,385</u>	<u>162,899</u>

SUN PHARMA DE VENEZUELA, C.A.
Comparative Statement of Income
From 01 April to 31 March
(Expressed in Historical Bolivars)

Anex 2

	From 01-04-17 to 31-03-2018	From 01-04-16 to 31-03-2017
<u>Income</u>		
Sales	0	0
Other Income	0	1,000,054
Total Net Income	0	1,000,054
<u>Selling, Administrative and General Expenses</u>		
Personnel Expenses	923,431	26,155,945
Other General Expenses	79,423,381	22,863,632
Depreciation	0	511,681
Total Selling, Administrative and General Expenses	80,346,812	49,531,258
Income (Loss) in Operation	-80,346,812	-48,531,204
Net Income (Loss) in Operation	-80,346,812	-48,531,204
Income-tax	0	0
Net Income (Loss) for the Year	-80,346,812	-48,531,204

SUN PHARMA DE VENEZUELA, C.A.**Comparative Statment of Changes in Shareholders´ Fund**

From April 01 to March 31

(Expressed in Historical Bolivars)

	2018/2017	2017/2016
Capital		
Share Capital	8,513,203	8,513,203
Increase in Capital	<u>0</u>	<u>0</u>
Total Share Capital	<u>8,513,203</u>	<u>8,513,203</u>
Reserve & Surplus		
Accumulated Profit / (Loss)	-738,655,351	-1,768,404,993
Profit (Loss) for the Year	<u>427,065,598</u>	<u>1,029,749,642</u>
Total	<u>-311,589,754</u>	<u>-738,655,351</u>
Legal Reserve	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>
Total Shareholders´ Fund	<u>-303,076,551</u>	<u>-730,142,148</u>

SUN PHARMA DE VENEZUELA C.A.**Comparative Cash Flow Statement for the Year Ended March 31****(Expressed in Historical Bolivars)****Anex 4**

	2018/2017	2017/2016
<u>Cash Flow From Operating Activities</u>		
Net Profit (Loss)	- 80,346,812	- 48,531,204
<u>Adjustment To Reconcile the Net Income for the Year</u>		
<u>Net Cash from Operating Activities</u>		
Depreciation	0	511,681
Profit on Sales of Fixed Asset	0	- 1,000,054
Cash from Adjustments	<u>-80,346,812</u>	<u>-49,019,577</u>
Net Cash from Operating Activities		
Increase / (Decrease) Liabilities		
Payable to Suppliers	60,849,943	39,663,545
Others Accounts Payable	412,154	-10,589
Inter Company Long Term Loan Payable	<u>114,700,201</u>	<u>0</u>
Net Cash from Operating Activities	<u>95,615,486</u>	<u>-9,366,621</u>
Movement of Cash from Investment Activities		
Increase (Decrease) in Investment Activities		
Purchases of Fixed Assets	<u>0</u>	<u>5,307,473</u>
Cash from Investment Activities	<u>0</u>	<u>5,307,473</u>
Increase (Decreases) in cash and equivalents	95,615,486	-4,059,148
Cash and Equivalents at Beginning of the Year	<u>143,299</u>	<u>4,202,447</u>
Cash and Equivalents at End of the Year	<u><u>95,758,785</u></u>	<u><u>143,299</u></u>