

**SUN PHARMA DE VENEZUELA, C.A.**

**FINANCIAL STATEMENTS AND ADDITIONAL INFORMATIONS**

**31 ST MARCH 2016**

**THE INDEPENDENT AUDITORS REPORTS.**

Report of Independent Accountants  
To the Shareholders and the Board of

**SUN PHARMA DE VENEZUELA, C.A.**

I have audited the statement of financial position of **SUN PHARMA DE VENEZUELA, C.A.** As of March 31, 2016, the related state of total comprehensive income for the year, the movement of equity accounts and the flow of cash for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of Company management. My responsibility is to express an opinion on these statements based on the audit.

I conducted the audit in accordance with Auditing Standards Generally Accepted in Venezuela. These rules require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements. Also includes evaluation of the accounting principles used and significant estimates made by management, as well as the complete evaluation and presentation of financial statements. I consider that our audits provide a reasonable basis to support my opinion. The procedures selected depend on the auditor's judgment.

In my opinion, the financial statements mentioned above present fairly in all material respects the financial situation of **SUN PHARMA DE VENEZUELA, CA**, as of March 31, 2016, the results of operations and movements of cash for the years then terminated in accordance with accounting principles generally accepted in Venezuela (VEN-NIF SMEs).

ANTIVERO CARPIO & ASOCIADOS

Looa.Rosied Antivero Carpio

C.P.C.No.62.425

Caracas,Venezuela,26 de Mayo de 2016.

**SUN PHARMA DE VENEZUELA, C.A.**  
Comparative Balance Sheet  
As at 31st March  
(Expressed in Constant Bolivars at 31/03/2016)

<b><u>Assets</u></b>	<b>2016</b>	<b>2015</b>
<b><u>Current assets</u></b>		
Cash and Banks	4,202,447	48,741,663
IVA Tax Credit	0	5,661,438
Prepaid expenses	19,600	2,120,405
Total Current Assets	<u>4,222,047</u>	<u>56,523,506</u>
<b><u>Property, Plants and Equipment</u></b>		
Furniture and Equipment	716,779	716,779
Acumulated Depreciation - Furniture and Equipmer (	300,819 )	( 121,624 )
Vehicle	18,545,646	18,545,646
Acumulated Depreciation - Vehicle (	3,708,529 )	0
Total Property, Plants and Equipment	<u>15,250,077</u>	<u>19,137,801</u>
Total Assets	<u><u>19,472,124</u></u>	<u><u>75,661,307</u></u>
<b><u>Liabilities and Equity</u></b>		
<b><u>Current liabilities</u></b>		
Payable to Suppliers	86,785,939	89,166,553
Others Accounts Payable	17,026	0
Total Current Liabilities	<u>86,802,965</u>	<u>89,166,553</u>
<b><u>Non-Current liabilities</u></b>		
Intercompany Accounts payable	96,436,717	303,083,381
Total long term liabilities	<u>96,436,717</u>	<u>303,083,381</u>
Total liabilities	<b>183,239,682</b>	<b>392,249,934</b>
<b><u>Capital</u></b>		
Share Capital	792,200	792,200
Retained Earnings	( 164,559,758 )	( 317,380,827 )
Total Capital	<u>( 163,767,558 )</u>	<u>( 316,588,627 )</u>
Total Liabilities and Capital	<u><u>19,472,124</u></u>	<u><u>75,661,307</u></u>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**  
 Comparative Statement of Income  
 From 01 April to 31 March  
 (Expressed as Constant Bolivars at 31/03/2016)

	<b>2015-2016</b>	<b>2014-2015</b>
<b><u>Income</u></b>		
Sales revenue	0	0
Total Net Sales revenue	0	0
<b><u>Selling Expenses, Administrative and General</u></b>		
Personnel Expenses	59,454,664	81,496,180
Other General Expenses	57,503,916	102,097,399
Depreciation	3,887,724	97,804
Total Expenses of Sales and Administration	120,846,304	( 183,691,383 )
Income (Loss) in Operation	( 120,846,304 )	( 183,691,383 )
Profit (Loss) for the Year	( 120,846,304 )	( 183,691,383 )
<b><u>Comprehensive Financing Expenses</u></b>		
Monetary Gain/Loss (REME)	273,667,373	188,945,744
Total Comprehensive Financing Expenses	273,667,373	188,945,744
Profit (Loss) for the Year	152,821,069	5,254,361
Income tax	0	0
<b>Income (Loss) for the Year</b>	<b>152,821,069</b>	<b>5,254,361</b>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**  
 Comparative Statment of Changes in Shareholders´ Fund  
 From April 01 to March 31  
 (Expressed in Constant Bolivars at 31/03/2016)

	2016	2015
<b>Capital</b>		
Capital Share	792,200	792,200
Capital Increase	<u>0</u>	<u>0</u>
Total Capital Share	<u>792,200</u>	<u>792,200</u>
<b>Surplus</b>		
Undistributed Earnings	( 317,380,826 )	( 322,635,187 )
Profit (Loss) for the Year	152,821,069	5,254,361
Income Tax	0	0
Legal reserve	<u>0</u>	<u>0</u>
Total	<u>( 164,559,758 )</u>	<u>( 317,380,827 )</u>
<b>Legal reserve</b>	0	0
Legal reserve for the period	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>
Total Surplus	<u>( 164,559,758 )</u>	<u>317,380,827 )</u>
Total Shareholders´ Fund	<u>( 163,767,558 )</u>	<u>316,588,627 )</u>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**  
 Comparative Cash Flow Statement  
 At March 31, 2016  
 (Expressed in Constant Bolivars at 31/03/2016)

	<b>2016</b>	<b>2015</b>
<b>Cash flow from Operative Activities:</b>		
<b>Net income (Loss) of the Year</b>	152,821,069	5,254,361
<b>Adjustment to conciliate the Net income with the Provided Net Cash by operating activities:</b>		
Depreciation	3,887,724	97,804
<b>Cash from the Adjustments</b>		
<b>Net Changes in Operating Assets</b> (Increase) Decrease in Assets		
IVA Fiscal Credit	5,661,438	( 880,464 )
Prepaid expenses	2,100,805	( 1,781,683 )
<b>Net exchanges in Operating Liabilities</b> <b>Increase (Decrease) in Liabilities</b>		
Payable to Suppliers	( 2,380,613 )	( 53,607,536 )
Other Accounts Payable	17,026	
Inter Company Payables	( 206,646,664 )	117,741,287
<b>Cash Generated from Operating Activities</b>	( 44,539,216 )	66,823,769
<b>Cash Flow from Investment Activities</b> (Increase) Decrease in Investments		
Purchases of Fixed Assets	0	( 19,164,145 )
<b>Cash coming from Investment Activities</b>	0	0
<b>Cash flow from financing Activities</b> Increase (Decreases) of Financing Activities		
Income Taxes	0	0
<b>Cash Generated from Financing Activities</b>	0	0
<b>Net increase (decrease) in Cash and its equivalents for the year</b>	( 44,539,216 )	47,659,624
Cash at beginning of the year	48,741,663	1,082,039
Cash at the end of the year	<u>4,202,447</u>	<u>48,741,663</u>

**BREAKDOWN OF REME**

	<b>2016</b>	<b>2015</b>
At Operational activities	306,900,149	143,491,811
At Investment activities	0	13,114,461
At Financing Activities	0	
At the initial cash balance and equivalent	( 33,232,776 )	( 893,303 )
At the final cash balance and equivalent	0	3,323,776
	<u>273,667,373</u>	<u>188,945,744</u>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**  
Notes to the financial statements  
As of March 31, 2016 and 2015  
(Expressed in constant bolivars as of March 31, 016)

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**(1) Company Activities**

**Business Description:** SUN PHARMA DE VENEZUELA, CA, is a company incorporated on September 20, 2010, according Notary the 2nd 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, 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 permits and / or authorizations necessary issued by the competent authorities.

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

The company was incorporated in the Bolivarian Republic of Venezuela in April 2010, registered with the Mercantile Registry II of the Judicial District of the Federal District and Miranda State under No. 21, Volume 56-A-Pro.

**(2) Basis of Preparation**

**Compliance Statement**

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

The Federation of Public Accountants of Venezuela (FCCPV), according by decision taken by the Expanded National Board in April 2008 resolved adoption as accounting principles generally accepted in Venezuela, the International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board (IASB acronym) that have been approved 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 Bulletins Application of NIF (BA VEN-NIF), which consist of the following:

BA VEN-NIF No. 0 (Marco adoption of International Financial Reporting Standards) repeals, as of 2008 for large companies and 2010 for small and medium enterprises (SMEs), Statements of Accounting Principles (DPC) and Technical publications (PT). In addition, stipulates that the accounting principles generally accepted in Venezuela is designated by the symbol VEN-NIF. It specifically indicates what IFRS, IAS and interpretations of these standards to be used as standards approved by the FCCPV for the purposes of VEN-NIF. In the future would be issued new BA VEN-NIF for the purpose of adapt NIIF to the reality of Venezuela.

BA VEN-NIF 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 (SMEs).

The Federation of Public Accountants of Venezuela (FCCPV), in August 2010, issued Bulletin adoption No. 6 (BA VEN-NIF No. 6), repealing the bulletin number 1 and states that for purposes of the application of VEN -NIF since fiscal year beginning on January 1, 2011 or soon as possible thereafter, a small and medium entity (SME) is identified as:

- a. Formally constituted entity pursuing profit, and
- b. Not subject to compliance with the provisions issued by regulators authorized by Venezuelan law to issue accounting principles mandatory for entities under its control, such as the National Securities Commission, the Superintendency of Banks and Other Financial Institutions, the Superintendent of Insurance, among others.

Qualified as small and medium sized entities apply the rules established for these entities and detailed in the BA VEN-NIF 0.

BA VEN-NIF No. 2 (Criteria for the application in Venezuela of the International Accounting Standard No. 29 (NIC 29) "Financial reporting in hyperinflationary economies"): This bulletin requires for the purpose of the application of VEN-NIF, the effects of inflation in financial statements always be recognized as inflation of the fiscal year exceeds one digit. The recognition of the effects of inflation must be carried out according to the procedure outlined in NIC 29.

BA VEN NIF No. 3 (Criteria for the application of the General Price Index for the restatement of financial statements in Venezuela). This bulletin notes that will be used only for the restatement of financial statements for the fiscal year ended after December 31, 2007 Index Consumer Price Metropolitan Area of Caracas (IPC) based in December 2007 and the National Index Consumer prices (INPC) issued from that date. It also states that does not agree with VEN-NIF financial statements restated using the NCPI disaggregated values or any other index issued by the Central Bank of Venezuela (BCV).

These financial statements as of March 31, 2016 prepared in accordance with accounting principles generally accepted in Venezuela (VEN-NIF SMEs), they have been authorized for issue by management as of April 07, 2016. However, Shareholders Assembly could make any changes on these financial statements.

### ***Measurement Base***

The FCCPV 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-NIF 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-NIF, 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 (BCV).

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

	<b>INPC</b>
	<b><u>accumulated</u></b>
INPC as of March 31, 2015	1.000,20
INPC as of March 31, 2016	3.143,45
INPC average for the year 2015-2016	1.940,34

Indexes January, February and March 2016 were calculated according to the Standard BA VEN NIF 2, Paragraph No. 18, based on the procedure for determining the CPI 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, 2016 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 retained earnings (deficit) 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, 2016, 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, 2016, 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 2015 have been restated to bolivars as of March 31, 2016, using the coefficients NCPI, that the comparison is in terms of a currency unit of homogeneous purchasing power.

#### ***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, Accounting International Standard section 31 of the IFRS for SMEs "*Effects of shifts 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 other currencies 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, 2015 and 2016 are presented in Bolivars.

#### ***Estimates and Judgments use***

The preparation of financial statements in conformity with accounting principles of generally accepted in Venezuela (VEN-NIF 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:

#### ***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.

#### ***Cash and cash equivalents***

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

#### ***Financial assets at fair value with through profits***

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

## ***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, 2016, determined by the NCPI, which doesn't exceed the recoverable value through future operations of the Company.

### **Depreciation**

Year depreciation is recognized in profit or loss using the straight-line method, based on the inflation updated cost and according to the useful lives estimated by management cost. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

### ***Income tax***

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

Spending income tax comprises the sum of current income tax and deferred income tax.

The Company records income tax according to the Accounting International Standard Section 29 of the IFRS for SMEs: "Accounting for Income Tax", which requires a method of assets and liabilities for accounting for income tax. Under this method, tax deferred income reflects the net effect of the tax consequences expected in the future as a result of: a) "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between amounts, according to the balance sheet and the tax bases of existing assets and liabilities and; b) tax credits and tax loss carryforwards. In addition, under section 31 of IFRS for SMEs, it is recognized in profit for the year from the date of origin, the effect on deferred taxes of changes in tax rates. One deferred tax asset is recognized when it is considered probable that future taxable profits that allow it to be used.

The main items generating deferred taxes are the differences between the tax bases and the financial base of property, plant and equipment, inventories, and some provisions which will be deductible expenses in future periods; as well as tax loss carryforwards. It should recognize a deferred tax credits carried forward to future fiscal periods as long as there is reasonable that there will be taxable income in the future, for the recovery of this tax benefits security. Having a history of recent losses is evidence of the benefit of tax loss carryforwards, may not be performed and consequently a deferred tax asset in these circumstances should not be recognized.

### ***Social Capital***

Common shares are classified as equity. As of March 31 2016 and 2015, the Company has no preferred shares.

### ***Deterioration***

#### **Financial assets**

It is considered that a financial asset presents impairment when there is objective evidence of the occurrence of an event with negative effects on cash estimated future cash flows of that asset.

#### **Non-Financial Assets**

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

### ***Revenue Recognition, Costs and Expenses***

Revenue comprises the net fair or market of products sold, value of sales taxes, returns and discounts. Revenues from product sales and other income are recognized as follows:

Revenues from product sales are recognized when they are delivered and accepted by the customer, and the risk and ownership of the products have been transferred to the buyer.

Income and expense by interest are recognized on proportional basis of time and using the effective interest method.

Costs of contracts by services concluded with clients are recognized over the term thereof. Advance receipts of billing revenue unrealized are recognized as deferred credits in current liabilities in the balance sheet. Costs and expenses are recognized in income as they are incurred. Revenues and direct

### ***Commitments and Contingencies***

Obligations or losses associated with contingencies originating in claims, lawsuits, fines or penalties generally recognized as a liability in the balance sheet when there is some or legal obligation resulting from past events, it is likely that a payment will be required to settle the obligation and the amount can be reasonably estimated. Otherwise, it is disclosed in the notes to the financial statements qualitative details of the situation that causes the contingency. Relevant commitments are disclosed in the notes to the financial statements. No income, earnings or assets are not recognized.

### **State Cash Movement**

The state of motion of cash presents the change in cash of constant purchasing power, based on the financial situation at the beginning of the year, updated in terms of bolivars of purchasing power as of March 31, 2016.

#### **Taxes:**

##### ***Income tax***

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

Venezuelan tax legislation provides for calculating annual regular adjustment for inflation of its non-monetary items, which are included in the reconciliation of net income as a taxable or tax deductible item as applicable. As for the fixed assets and similar assets, this setting regular inflation is depreciated or amortized in the rest of fiscal useful life of the assets. In the case of inventories, this setting is considered in the cost of selling the products once consumed or sold. The total regular adjustment of the year is determined by the algebraic sum of the amount of the various adjustments for inflation each non-monetary item.

Also in accordance with that law, as amended in November 2014, the Company may transfer the territorial operating tax losses, other than those originating from the fiscal adjustment for inflation, up to three (3) years subsequent to the year they are incurred., and that complaint in each period does not exceed 25% of enrichment achieved. the possibility of transferring the losses from inflation adjustment is eliminated.

For the year ended March 31, 2016, the Company generated taxable income of (Bs. 73,414,404), in nominal terms.

### ***Value added tax***

In May 1999, it was published in the official gazette extraordinary number 5.341, the decree with force of Law establishing the Value Added Tax, Act being repealed tax on luxury goods and wholesale sales. This tax is levied on the alienation of movable property, provision of services and imports of goods, applicable throughout the national territory. The tax for the National Treasury, under the terms of this Decree, shall be determined by taxation periods of one (1) calendar month as follows: the amount of tax debits, duly adjusted if the case legally corresponds to the taxpayer for the taxable transactions for the tax period shall be deducted or subtracted from the amount of tax credits, whose deductibility or subtraction is entitled the same taxpayer.

### ***Deferred income tax***

The main items generating deferred taxes are the differences between the tax bases and the financial base of property, plant and equipment, inventories, and some provisions which will be deductible expenses in future periods; as well as tax loss carryforwards. It should recognize a deferred tax credits carried forward to future fiscal periods as long as there is reasonable that there will be taxable income in the future, for the recovery of these tax benefits security. Having a history of recent losses, is evidence of the benefit of tax loss carryforwards may not be performed and consequently a deferred tax asset in these circumstances should not be recognized.

### ***Law on Science, Technology and Innovation***

As of October 16, 2006 was published the "Partial Regulations of the Organic Law on Science, Technology and Innovation referred to the contributions of investment," whose law was promulgated on 3 August 2005. These rules provide businesses with gross receipts exceed 100,000 tax units are required to invest during exercise in scientific and technological social development activities mentioned in the Act or, failing that, to pay a contribution equivalent to the amount left to invest the competent body under the Ministry of Science and Technology. That law came into force after its publication on August 3, 2005 and, by express mandate of the Act, the contributions established must be made from January 10, 2006.

Referred contribution or investment ranges between 0.5% and 2% of total gross revenues of the Company, depending on the economic activity in which it holds and is determined on the total gross income of the previous year.

### ***Organic Drugs Act (ONA)***

In October 2005 was published the "Organic Law Against Illicit Traffic and Consumption of Narcotic and Psychotropic Substances" repealing issued in 2003. That law provides that legal persons employing more than 50 workers must allocate 1% of their annual net income to prevention programs against trafficking and consumption of drugs that benefit their workers and their families; this percentage, 0.5% will be allocated to programs for children and adolescents.

### ***Organic Law of Sport and Physical Activity***

In Official Gazette No. 39.741 dated 23/08/2011, was published the Organic Law of Sport and Physical Activity, which establishes the basis for physical education, regulate the promotion, organization and management of sport and physical activity services public, and their management as economic activity for social purposes. This contribution shall be 1% of the net profit, when it exceeds 20.000 UT, multiplying the value of the UT. This contribution shall not constitute a charge to income tax.

### ***Law of Fair Costs and Prices***

In Official Gazette No. 39.715 dated 18/07/2011, was published the Law of Fair Costs and Prices, which establishes regulations as well as management and control mechanisms necessary to maintain price stability and promote access to goods services all people on an equal basis.

Registration Regime: In its Art. 11: The National Superintendence of Costs and Prices will dictate the rules by which the regime of the National Registry of Prices of Goods and Services established, relating to his creation organization, operation, conditions, requirements, responsibilities, procedures, processing and use of information and, in general, all aspects that are necessary for the obtaining and management of information by the said Registry.

**Patrimonio:**

**a. Social Capital**

As of March 31, 2016, the nominal capital of the Company is composed as follows.

The evolution of update inflation accounting of social capital is as follows:

Year 2016				
PERIOD	SUBSCRIBED PAID CAPITAL	AND ADJUSTMENT FACTOR	UPDATING CAPITAL	OF
SEP-10	(50.000)	15.844002	(792.200)	
	<u>(50.000)</u>		<u>(792.200)</u>	

**b. Legal reserve**

The Company bylaws provide for the creation of a legal reserve fund, calculated on the basis of 5% of profits settled to form a minimum of 10% of the social capital. This reserve may not be distributed to shareholders as dividends during the existence of the Company.

**Monetary result for the year (REME):**

**SUN PHARMA DE VENEZUELA, C.A.**  
 Demonstrative Monetary Income Statement  
 Years ended December 31, 2016 and 2015

	<b>2016</b>		<b>2015</b>	
	<b>Historical</b>	<b>Restated</b>	<b>Historical</b>	<b>Restated</b>
Passive monetary position at the beginning of the year	(106.823.259)	(335.726.428)	(176.470.398)	(321.914.448)
<b>Increases -</b>				
Net sales	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>decreases -</b>				
Personal expenses	36.699.252	59.454.664	62.253.076	81.496.180
Other expenses	35.495.124	57.503.916	77.989.877.63	102.097.399
Fixed Asset Purchases			19.013.076.33	19.164.145
	<u>72.194.376</u>	<u>116.958.580</u>	<u>159.256.030.10</u>	<u>202.757.724</u>
<b>Final monetary position recorded</b>	(179.017.635)	(452.685.008)	(335.726.427.99)	(524.672.172)
<b>Estimated Final monetary position</b>	<u>(179.017.635)</u>	<u>(179.017.635)</u>	<u>(335.726.428.00)</u>	<u>(335.726.428)</u>
<b>monetary result</b>		<u><u>(273.667.373)</u></u>		<u><u>(188.945.744)</u></u>

For purposes of analysis to its financial statements, the Company presents, as supplementary information, financial statements prepared on the historical cost basis, (Annex 1, 2.3 and 4), which served as the basis for preparation of primary financial statements expressed in constant bolivars .

# SUN PHARMA DE VENEZUELA, C.A.

Comparative Sheet Balance

As at 31 st March

(Expressed in Historical Bolivars)

<b><u>Assets</u></b>	<b>2016</b>	<b>2015</b>
<b><u>Current assets</u></b>		
Cash and Banks	4,202,447	15,508,887
IVA Tax Credit	0	1,801,387
Prepaid expenses	19,600	674,682
Total Current Assets	<u>4,222,047</u>	<u>17,984,956</u>
<b><u>Property, Plants and Equipment</u></b>		
Furniture and Equipment	160,114	160,114
Acumulated Depreciation - Furniture and Equipment	61,028	( 20,999
Vehicle	5,900,000	0
Acumulated Depreciation - Vehicle	1,180,000	5,900,000
Total Property, Plants and Equipment	<u>4,819,086</u>	<u>6,039,115</u>
Total Assets	<u>9,041,133</u>	<u>24,024,071</u>
<b><u>Liabilities and Equity</u></b>		
<b><u>Current liabilities</u></b>		
Payable to Suppliers	86,785,939	28,262,619
Others Accounts Payable	17,026	108,879
Total Current Liabilities	<u>86,802,965</u>	<u>28,371,498</u>
<b><u>Non-Current liabilities</u></b>		
Intercompany Accounts payable	96,436,717	96,436,717
Total long term liabilities	<u>96,436,717</u>	<u>96,436,717</u>
Total liabilities	<b>183,239,682</b>	<b>124,808,215</b>
<b><u>Capital</u></b>		
Share Capital	50,000	50,000
Retained Earnings	( 174,248,549 )	( 10,834,144
Total Capital	<u>( 174,198,579 )</u>	<u>100,784,144</u>
Total Liabilities and Capital	<u>9,041,133</u>	<u>24,024,071</u>

See the annexed Report of the Independent Public Accountant.

# SUN PHARMA DE VENEZUELA, C.A.

## Comparative Statement of Income

From 01 April to 31 March

(Expressed as Historical Bolivars)

	2016	2015
<b><u>Income</u></b>		
Sales revenue	0	0
Total Net Sales revenue	<u>0</u>	<u>0</u>
<b><u>Selling, Administrative and General Expenses</u></b>		
Personnel Expenses	36,699,252	19,808,022
Other General Expenses	35,495,124	24,815,243
Depreciation	1,220,028	18,392
Total Expenses of Sales and Administration	<u>73,414,404</u>	<u>44,641,657</u>
Income (Loss) in Operation	( 73,414,404 )	( 44,641,657 )
Profit for the Year	( 73,414,404 )	( 44,641,657 )
Income Tax	0	0
<b>Net income (Loss) of the period</b>	<b>( <u>73,414,404</u> )</b>	<b>( <u>44,641,657</u> )</b>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**  
 Comparative Statement of Changes in Shareholders' Fund  
 From April 01 to March 31  
 (Expressed as Historical Bolivars)

	2016	2015
<b>Capital</b>		
Capital Share	50,000	50,000
Capital Increase	0	0
Total Capital Share	<u>50,000</u>	<u>50,000</u>
<b>Surplus</b>		
Undistributed Earnings	( 100,834,144 )	( 56,192,488 )
Profit (Loss) for the Year	( 73,414,404 )	( 44,641,657 )
Income Tax	0	0
Legal reserve	0	0
Total	<u>( 174,248,549 )</u>	<u>( 100,834,144 )</u>
<b>Legal reserve</b>		
Legal reserve for the period	0	0
Total	<u>0</u>	<u>0</u>
Total Surplus	<u>( 17,248,549 )</u>	<u>( 100,834,144 )</u>
Total Shareholders' Fund	<u>( 174,248,549 )</u>	<u>( 100,834,144 )</u>

See the annexed Report of the Independent Public Accountant.

**SUN PHARMA DE VENEZUELA, C.A.**

## Comparative Cash Flow Statement

As at 31st March

(Expressed as Historical Bolivars)

	2015-2016	2014-2015
<b>Cash flow from Operative Activities:</b>		
Net income (Loss) of the Year	( 73,414,404 )	( 44,641,657 )
<b>Adjustment to conciliate the Net income with the Provided Net Cash by operating activities:</b>		
Depreciation	1,220,028	18,392
<b>Cash from the Adjustments</b>		
<b>Net Changes in Operating Assets</b> (Increase) Decrease in Assets		
IVA Fiscal Credit	1,801,387	( 967,460 )
Prepaid expenses	655,082	( 615,600 )
<b>Net exchanges in Operating Liabilities</b> <b>Increase (Decrease) in Liabilities</b>		
Payable to Suppliers	58,414,441	3,467,958
Other Accounts Payable	17,026	0
Inter Company Payables	0	64,108,202
Cash Generated from Operating Activities	( 11,306,440 )	21,369,835
<b>Cash Flow from Investment Activities</b> (Increase) Decrease in Investments		
Purchases of Fixed Assets	0	6,049,684
Cash coming from Investment Activities	0	6,049,684
<b>Cash flow from financing Activities</b> Increase (Decreases) of Financing Activities		
Income Taxes	0	0
Cash Generated from Financing Activities	0	0
Net increase (decrease) in Cash and its equivalents for the year	( 11,306,440 )	15,320,151
Efectivo inicio del año	15,508,887	188,736
Efectivo al final del año	<u>4,202,447</u>	<u>15,508,887</u>

See the annexed Report of the Independent Public Accountant.