



Gavis Pharmaceuticals, LLC
Financial Statements
As of and for the Year Ended
March 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Operations	3
Statement of Member's Deficit	4
Statement of Cash Flows	5
Notes to Financial Statements	6



KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditor's Report

The Board of Directors and Stockholders
Gavis Pharmaceuticals, LLC:

We have audited the accompanying financial statements of Gavis Pharmaceuticals, LLC, which comprise the balance sheet as of March 31, 2017, and the related statements of operations, member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gavis Pharmaceuticals, LLC as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 18, 2017

**GAVIS PHARMACEUTICALS, LLC
BALANCE SHEET**

March 31, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,280,087
Accounts receivable	566
Intracompany receivables	29,861,888
Inventories, net	—
Total current assets	31,142,541
Property, plant and equipment, net	196,662
Total assets	\$ 31,339,203
LIABILITIES AND MEMBER'S DEFICIT	
Current liabilities:	
Accounts payable	\$ 6,205
Accrued expenses	3,391,022
Intracompany payables	29,263,462
Total current liabilities	32,660,689
Commitments and contingencies	
Member's deficit:	
Common stock	1
Accumulated deficit	(1,321,487)
Total member's deficit	(1,321,486)
Total liabilities and member's deficit	\$ 31,339,203

See accompanying notes to financial statements.

**GAVIS PHARMACEUTICALS, LLC
STATEMENT OF OPERATIONS**

	Year ended March 31, 2017
Service revenues	\$ —
Other sales	—
Total revenues	—
Costs and expenses:	
Cost of revenues	—
Selling, general and administrative	—
Research and development	—
Income from operations before income tax	—
Income tax benefit (expense)	—
Net income	\$ —

See accompanying notes to financial statements.

**GAVIS PHARMACEUTICALS, LLC
STATEMENT OF MEMBER'S DEFICIT**

	Units		Accumulated Deficit	Total Member's Deficit
	Shares	Amount		
Balance at April 1, 2016	11,000	\$ 1	\$ (1,321,487)	\$ (1,321,486)
Balance at March 31, 2017	11,000	\$ 1	\$ (1,321,487)	\$ (1,321,486)

See accompanying notes to financial statements.

GAVIS PHARMACEUTICALS, LLC
STATEMENT OF CASH FLOWS

Year ended
March 31, 2017

Operating activities:	
Net income	\$ —
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	130,989
Intracompany receivables	(953,594)
Prepaid expenses and other assets	732,802
Accounts payable	(4,053,891)
Accrued expenses and other current liabilities	(23,720,756)
Intracompany payables	19,668,498
Net cash used in operating activities	\$ (8,195,952)
Net decrease in cash and cash equivalents	\$ (8,195,952)
Cash and cash equivalents—beginning of period	9,476,039
Cash and cash equivalents—end of period	\$ 1,280,087

See accompanying notes to financial statements.

GAVIS PHARMACEUTICALS, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. Organization and Description of the Business

Gavis Pharmaceuticals, LLC (the Company), a Delaware limited liability company, was founded in July 2008. The Company was engaged in the selling, marketing and distribution of generic pharmaceutical products, principally in the solid oral dosage form of tablets and capsules. The Company's membership units were acquired by Lupin Inc. (LI) on March 8, 2016, which is a consolidated subsidiary of Lupin Atlantis Holdings SA (LAHSA), who is wholly owned by Lupin Limited (LL), the Company's ultimate parent company. As a limited liability company, each member's liability is generally limited to the amount in his or her respective capital account. For the year ended March 31, 2017, substantially all of the Company's operating activities were merged into its sister company, Lupin Pharmaceuticals, Inc. (LPI). During fiscal 2018, LI expects to complete the legal merger of Gavis Pharmaceuticals LLC and LPI, such that the Gavis legal entities will cease to exist.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB).

Use of Estimates

Management considers many factors in developing the estimates and assumptions that are used in the preparation of these financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Intracompany Receivables and Payables

Intracompany receivables and payables represent balances due to and due from related parties which are within the United States.

Property, Plant and Equipment

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which are generally two to ten years. Maintenance and repairs are expensed as incurred. Upon disposal, retirement, or sale, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents. At March 31, 2017, the Company's cash and cash equivalents were held by one financial institution and the amounts on deposit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its uninsured cash in major well capitalized financial institutions. The Company has not recognized any losses on its cash and cash equivalents.

GAVIS PHARMACEUTICALS, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods beginning after December 15, 2020. Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact the standard may have on the Company's financial statements and related disclosures.

Note 3. Inventories, net

Inventories consists of:

	March 31, 2017
Finished Goods	\$ 33,378
	33,378
Less net realizable value reserve	(33,378)
Inventories, net	\$ —

Note 4. Property, Plant and Equipment, net

Property, plant and equipment, net consists of the following:

	March 31, 2017
Computers and equipment	\$ 36,396
Machinery and equipment	278,180
Furniture and fixtures	46,525
Vehicles	11,625
	372,726
Less: accumulated depreciation	(176,064)
Property, plant and equipment, net	\$ 196,662

Through an agreement, depreciation expense is billed to Lupin Pharmaceuticals, Inc. and reimbursed through the intracompany settlement process.

Note 5. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2017
Bonus and incentives	\$ 985,968
Acquisition related payments	2,312,440
General and administrative	92,614
Accrued expenses	\$ 3,391,022

Note 6. Commitments and Contingencies

Operating Leases

The Company leases an office, which is classified as an operating lease. Through an agreement, rent expense is billed to Lupin Pharmaceuticals, Inc. and reimbursed through the intracompany settlement process. The Company recognizes costs on leases on a straight line basis. At March 31, 2017, the Company had a deferred rent liability of \$70,355. Deferred rent is included as a component of accrued expenses.

GAVIS PHARMACEUTICALS, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Future minimum lease payments as of March 31, 2017 are as follows:

Fiscal 2018	\$	96,845
Fiscal 2019		247,371
Fiscal 2020		—
Fiscal 2021		—
Fiscal 2022		—
Thereafter		—
	\$	544,216

Note 7. Related Party Transactions

The Company enters into transactions with related parties. Related parties are:

Companies where control exists:

- LL (Ultimate Parent Company)
- LAHSA (Parent Company)
- LI (Direct Parent Company)

Other Related Parties having transactions with the Company's fellow subsidiaries:

- Novel Laboratories, Inc. (Novel)
- LPI

Transactions, which take place at an arm's length, between entities range from capital contributions, dividend payments, and short term borrowings.

The following represents due to/from balances with related parties:

	March 31, 2017	
Due from Novel	\$	29,861,888
Intracompany receivables	\$	29,861,888

	March 31, 2017	
Due to LPI	\$	6,677,288
Due to LI		5,293,020
Due to Novel		17,293,154
Intracompany payables	\$	29,263,462

Note 8. Subsequent Events

The Company evaluates events or transactions that occur after the balance sheet date but prior to the issuance of financial statements and concluded that no subsequent events have occurred through May 18, 2017 that require adjustment to or disclosure in the Company's financial statements.