Laboratorios Grin, S. A. de C. V.

(subsidiary of Lupin Atlantis Holdings, S. A.)

Audited Financial Statements

March 31, 2020 and 2019

Laboratorios Grin, S. A. de C. V.

(subsidiary of Lupin Atlantis Holdings, S. A.)

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Independent Auditor's Report

To the Directors of
Laboratorios Grin, S. A. de C. V.

Opinion

We have audited the financial statements of Laboratorios Grin, S. A. de C. V. (the Company), which comprise the statement of financial position as of March 31, 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Mexican Financial Reporting Standards (MFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit of the financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with these requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with MFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit finding, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, S.C.

C.P.C René Menchaca Jáuregui
Audit Partner

Mexico City May 19,2020

Laboratorios Grin, S. A. de C. V.
(subsidiary of Lupin Atlantis Holdings, S. A.)

Statements of Financial Position
(Notes 2 and 3)

March 31, 2020 and 2019

Mexican pesos (Note 3)

	2020	2019
Assets		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 3c. and 6)	$ 92,289,402	$ 51,456,948
Accounts receivable (Note 3d.):		
Clients, net of allowance for doubtful accounts, discounts and returns of Ps4,055,651 in 2020 and Pss3,040,211 in 2019	176,981,966	185,187,638
Other receivables	49,795,220	40,667,798
	319,066,588	277,312,384
Inventories - Net (Notes 3e. and 7)	104,061,517	198,842,204
Advanced payments (Note 3g.)	8,836,440	14,115,917
Total current assets	431,964,545	490,270,505
Property, plant and equipment - Net (Notes 3f. and 9)	419,761,896	424,537,859
Intangible assets-Net (Notes 3h. and 10)	19,707,958	19,255,737
Right-of-use asset (Note 11)	1,209,769	-
Deferred income taxes (Notes 3l. and 16)	28,415,048	11,796,246
Employees' statutory profit sharing (Notes 3m. and 19)	9,617,704	3,083,910
Total assets	$ 910,676,920	$ 948,944,257

	2020	2019
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Trade accounts payable	44,487,540	$ 75,920,688
Accrued (Notes 3j. and 12)	18,695,312	10,222,036
Accounts payable and other accrued expenses	13,601,663	13,488,307
Employees' statutory profit sharing (Note 19)	8,157,290	9,762,572
Related parties (Note 8)	7,983,224	5,951,744
Obligations for delivery of products	14,914,699	2,528,293
Total current liabilities	107,839,728	117,873,640
Long-term debt Related parties (Note 8)	215,500,166	201,840,635
Long-term debt (Note 13)	110,122,935	142,948,116
Employee benefits (Notes 3n. and 14)	15,743,710	12,804,923
Lease liability	1,269,491	-
Total liabilities	450,476,030	475,467,314
STOCKHOLDERS' EQUITY:		
Capital stock (Notes 3o. and 15)	187,000,000	187,000,000
Legal Reserve	37,400,000	37,400,000
Retained earnings and other capital accounts	247,445,106	257,080,501
Other comprehensive income	(11,644,216)	(8,003,558)
Total stockholders' equity	460,200,890	473,476,943
Total liabilities and stockholders´equity	$ 910,676,920	$ 948,944,257

The accompanying twenty-two attached notes are integral part of these financial statements, which were authorize for their issuance on May 19, 2020, by the officer underwriting below.

Mr. Paulo Tadeu De Resende
General Director

Laboratorios Grin, S. A. de C. V.

(subsidiary of Lupin Atlantis Holdings, S. A.)

Statements of Comprehensive Income
(Notes 2 and 3)
March 31, 2020 and 2019

Mexican pesos (Note 3)

	2020	**2019**
Net sales (Notes 3r. and 17)	$ 689,713,529	$ 677,522,617
Cost of sales (Notes 3s. and 18)	305,817,229	255,973,752
Gross profit	383,896,300	421,548,865
Expenses (Notes 3q. and 18)		
Selling and distribution	219,543,325	211,987,111
Administrative	87,475,622	95,651,611
Research and development	24,312,779	14,970,083
Total expenses	331,331,726	322,608,805
Operating income	52,564,574	98,940,060
Comprehensive financing result:		
Interest expense - Net	22,546,914	20,759,776
Foreign exchange loss - Net	44,111,968	14,404,904
Comprehensive financial results - Net	66,658,882	35,164,680
(Loss) Profit before income tax	(14,094,308)	63,775,381
Income tax (Note 16)	(4,458,913)	26,635,221
Net income	(9,635,395)	37,140,160
Other comprehensive income:		
Remeasurements of defined benefit liability	(3,640,658)	(5,916,946)
Comprehensive (loss) income for year	$ (13,276,053)	$ 31,223,214

The accompanying twenty-two attached notes are integral part of these financial statements, which were authorize for their issuance on May 19, 2020, by the officer underwriting below.

Mr. Paulo Tadeu De Resende
General Director

Laboratorios Grin, S. A. de C. V.

(subsidiary of Lupin Atlantis Holdings, S. A.)

Statements of Changes in Stockholders' Equity
(Notes 2, 3 and 15)
March 31, 2020 and 2019

Mexican pesos (Note 3)

Concept	Capital stock	Legal reserve	Earnings	Subtotal	Other comprehensive income	Total stockholders' equity
Balances at March 31, 2018	$ 187,000,000	$ 37,400,000	$ 219,940,341	$ 444,340,341	$ (2,086,612)	$ 442,253,729
Net profit of the year 2019			37,140,160	37,140,160	(5,916,946)	31,223,214
Balances at April 1, 2019 (Notes 3l. and 15)	187,000,000	37,400,000	257,080,501	481,480,501	(8,003,558)	473,476,943
Net profit of the year 2020			(9,635,395)	(9,635,395)	(3,640,658)	(13,276,053)
Balances at April 1, 2020 (Notes 3l. and 15)	$ 187,000,000	$ 37,400,000	$ 247,445,106	$ 471,845,106	$ (11,644,216)	$ 460,200,890

The accompanying twenty-two notes are integral part of these financial statements, which were authorize for their issuance on May 19, 2020, by the officer underwriting below.

Mr. Paulo Tadeu De Resende
General Director

Laboratorios Grin, S. A. de C. V.
(subsidiary of Lupin Atlantis Holdings, S. A.)
Statements of Cash Flows
(Notes 2 and 3)
March 31, 2020 and 2019

Mexican pesos (Note 3)

		2020		2019
Operating activities				
Profit before income tax	$	(14,094,308)	$	63,775,381
Investing activities related items:				
Depreciation and amortization		34,892,449		21,276,620
Short-term lease payments		486,756		
Period Net Cost (CNP)		5,273,282		7,095,802
Loss on sale of fixed assets		(1,729,263)		(1,746,946)
Interest income		(1,378,805)		(1,427,416)
Interest expense		23,677,402		22,187,192
Deferred employees' statutory profit sharing		(6,533,793)		1,094,385
Unrealized foreign exchange loss		13,659,531		(7,630,230)
Subtotal of item related to investing activities net cash flows		54,253,251		104,624,788
(Increase) decrease in:				
Accounts receivable		8,205,672		20,154
Other accounts receivable		(9,127,422)		(27,901,990)
Inventories - Net		94,780,687		(12,678,372)
Prepayments		6,012,630		(5,281,753)
Trade accounts payable		(31,433,148)		33,986,824
Accrued expenses		8,473,275		(46,883,050)
Accruals		113,356		(4,222,958)
Income taxes paid		(12,159,889)		(25,063,942)
Employees' statutory profit sharing		(1,605,282)		(18,265,015)
Employees' benefits		(5,975,152)		(335,059)
Related parties		2,031,480		867,824
Obligations for delivery of products		12,386,406		2,462,022
Net cash flows from operating activities		125,955,864		1,329,473
Investing activities				
Acquisition of property, plant and equipment		(28,843,883)		(141,567,648)
Acquisitions of intangible assets		(3,651,322)		-
Proceeds from sale of equipment		2,922,609		2,518,109
Interest received		1,378,805		1,427,416
Net cash flows from investing activities		(28,193,791)		(137,622,123)
Cash surplus to be used in financing activities		97,762,073		(136,292,650)
Financing activities				
Long-term liabilities		(23,677,402)		(22,187,192)
Bank loans and long-term loans		(32,825,183)		142,948,116
Payment of financial leasing liabilities		(427,034)		
Financing activities net cash flows		(56,929,619)		120,760,924
Net increase (decrease) in a cash and cash equivalents		40,832,454		(15,531,726)
Cash and cash equivalents at the beginning of year		51,456,948		66,988,674
Cash and cash equivalents at end of year (Notes 3c. and 6)	$	92,289,402	$	51,456,948

The accompanying twenty-two notes are integral part of these financial statements, which were authorize for their issuance on May 19, 2020, by the officer underwriting below.

Mr. Paulo Tadeu De Resende
General Director

Figures expressed in Mexican pesos

Nota 1 - History and Company's activities:

Laboratorios Grin, S. A. de C. V. (Company), is a direct subsidiary of Lupin Atlantis Holdings, S. A., subsidiaries of Lupin Limited, which issues consolidated financial statements, and was constituted on September 14, 1955 in Mexico City, with a duration of 100 years. The main activity of the Company is manufacturing, formulation, marketing, import, export and selling of ophthalmic products.

For Lupin Limited Consolidation purposes, the Company has determined that its normal operating cycle comprises from April 1 to March 31 each year. The address of its registered office is at Rodríguez Saro No. 630, Col. Del Valle, C.P. 03100.

On September 30, 2014, Lupin Atlantis Holdings, S. A. and its legal delegate Dr. Amrut Naik acquired the 100% of the shares of Laboratorios Grin, S. A. de C. V. of Infrema, S. A. de C. V., becoming from this date the new controlling company who will consolidate its financial information.

The Company's capital stock at June 30, 2016 is represented by 187,000,000 common, registered shares, with a par value of one peso each of the Class "I", which 186,999,999 shares belong to Lupin Atlantis, S. A. and one share belongs to Amrut Diwakar Naik.

At the Stockholders' Meeting held on June 6,2016, a resolution to the stockholder Amrut Naik Diwakar, gratuitously give in its shareholding in Laboratorios Grin, S. A. de C. V. To Lupin México, S. A. de C.V.

Nota 2 - Basis for preparation:

Preparation of financial statements

The accompanying financial statements have been specifically prepared for their presentation to the Shareholders' Meeting and to comply with the legal provisions which the Company is subject to as an independent legal entity.

Mexican Financial Reporting Standards (MFRS)

As of January 1, 2019, the Company retrospectively and prospectively adopted the following MFRS and Improvements to MFRS, issued by Mexican Financial Reporting Standards Board (CINIF, by its Spanish acronym), which became effective as of the aforementioned date. It is considered that no relevant effects over the financial information presented by the Company arise from such MFRS and Improvements.

2019

MFRS D-5 "Leases". Establishes the valuation, presentation and disclosure standards for leases through a single accounting model by the lessee. Requires the lessee to recognize from the beginning of the lease: a) a lease liability (rents payable at present value), and b) for that same amount, an asset called right-of-use asset, representing its right to use the underlying leased asset.

Modifies the presentation of the statement of cash flows, presenting payments to reduce lease liabilities within financing activities. Likewise, modifies the recognition of leaseback transactions by requiring the seller-lessee to recognize the rights transferred to the buyer-lessor, which are not returned as a sale.

New MFRS D-5 "Leases" became effective on January 1, 2019, establishing that lessees shall recognize assets and liabilities substantially arising from all lease contracts when, until December 31, 2018, only assets and liabilities from lease contracts that qualify as finance, under the regulation of Bulletin D-5 "Leases", were recognized. For those qualifying as operating under the same regulation, lease payments were recognized as expenses as incurred and commitments assumed in lease contracts were disclosed.

The new standards establishes that lessee shall recognize as a right-of-use asset those assets resulting from substantially all lease contracts, based on the present value of future lease payments, recognizing the related lease liability.

The new standards also establishes that a lessee may choose not apply the requirements of the new MFRS to lease contracts with a term of up to 12 months and those whose amount is of low value. The Company has chosen not to apply the requirements to such lease contracts.

The Company has chosen to apply this MFRS to its leases on a limited retrospective basis, recognizing the cumulative effect at the date of the initial application and, thus, 2018 comparative financial statements were not restated in 2019 financial statements.

Under this limited retrospective approach, the Company recognized the following:

a. A lease liability at the date of the initial application at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at that date.

b. A right-of-use asset at the date of the initial application, measuring, on a lease-by-lease basis, the right-of-use asset at either:

    i. Its carrying amount as if the Standard had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of the initial application, or

    ii. An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of the initial application.

c. Applying Bulletin D-5 to right-of-use assets at the date of the initial application.

Financial statements authorization

The accompanying financial statements and their notes were authorized for their issuance on May 19 2020, by Paulo Tadeu De Resende Legal Delegate.

Nota 3 - Summary of significant accounting policies:

Most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

The MFRS require the use of some critical accounting estimates in the preparation of financial statements. Also, Management judgment is required in the process of defining the Company's accounting policies.

a. Recording, functional and reporting currency

Because the recording, functional and reporting currencies of the Company are Mexican peso, any translation process was not needed.

b. Inflation effects in financial information

According to the provisions in the MFRS B-10 "Inflation effects", as of January 1, 2008, Mexican economy is not an inflationary environment, since the last three years there has been a cumulative inflation below 26% (threshold to define that an economy should be considered as inflationary); therefore, as of that date, it has been required to discontinue the recognition of inflation effects in the financial information. Accordingly, figures of the accompanying financial statements at March 31, 2020 and 2019, are stated in historical Mexican pesos modified by the inflation effects on the financial information recognized up to December 31, 2007.

Inflation rates are shown below:

	March 31,	
	2020	**2019**
	(%)	**(%)**
Annual inflation rate	2.83	4.00
Cumulative in the last three years (not considering base year)	15.69	12.99
Cumulative in the last three years (considering base year)	14.43	14.39

c. Cash and cash equivalents

Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments with minor risks by changes in their value. See Note 6.

Cash and cash equivalents are initially recognized at fair value.

d. Accounts receivable and other receivables

Accounts receivable are recognized when the good or service is accrued, that is, when control has been transferred in accordance with the contract entered into with customers. Accounts receivable are initially valued at the price of the transaction based on the contracts with customers and subsequently at the price of the transaction pending collection minus bonuses, discounts or refunds and the allowance for credit losses, if applicable.

When collection of accounts receivable is expected in a period of one year or less from the closing date (or in the normal operating cycle of the business if this cycle exceeds this period), they are presented as current assets. If the above is not met, they are presented as non-current assets.

Bonuses, discounts and refunds are recognized as part of the balance of accounts receivable when contractually, either at the time of sale or when certain subsequent circumstances are met, there is a right to take them. When subsequent circumstances are expected to occur, an allowance is recognized and presented as part of the net profit within the comprehensive income statement.

Existing expected credit losses, as well as differences arising from cancellation such credit losses are presented within expenses line item. Such losses are determined individually.

The allowance for expected credit losses is determined considering the probability of default and the severity of the loss of accounts receivable based on the historical experience, current conditions and reasonable forecasts observed in their behavior.

Accounts that are considered uncollectible are canceled when all means of payment have been legally exhausted and/or when there is a practical impossibility of collection.

Losses generated by other accounts receivable, as well as the reversals thereof, are presented within the item to which said accounts receivable relate.

e. Inventories

At Mach 31, 2020 and 2019, inventories and cost of sales are expressed at their cost, determined through the average cost. Values determined like this do not exceed their net realization value.

Costs to obtain or fulfil a contract with a customer that have been incurred to generate future income with the customer are recognized within the inventory item; these costs do not include profit margins or indirect expenses not attributable to the services that are normally considered in the price. Based on the moment in which they are applied to the net profit or loss, they are classified as short or long terms, as appropriate.

Inventory is subject to annual impairment testing with the purpose of identifying obsolescence, damaged inventory or low market values. In the event the amount of inventory future economic benefits, its net estimated realization value, is lower to its net carrying amount, an impairment loss is recognized which is recorded in the sales cost of the period presented. See Note 7.

f. Property, plant and equipment

Property, plant and equipment, including the financial leasing acquisitions, are expressed as follows: i) acquisition subsequent to January 1, 2008 at their acquisition cost, and ii) acquisitions up to December 31, 2007 from domestic origin at their restated value determined by applying factors derived from the National Consumer Price Index (NCPI) up to December 31, 2007 at their acquisition cost

The acquisition cost of property, plant and equipment that requiring a substantial period to be in usage conditions include: the acquisition cost and the capitalization of the comprehensive financing result income (loss) accrued in such period and attributable at acquisition. See Note 9.

The Company has used the following the straight line criteria for the selection of the depreciation method and for the estimations of useful lives or depreciation percentages.

Until December 31, 2018, leases of property, plant and equipment were capitalized when all inherent risks and benefits were substantially transferred to their ownership. Capitalized value relates to the leased asset fair value or the present value of minimum payments, which is less. Financial costs derived from the financing granted by the lessor for the acquisition of such assets were recognized in the period income as they accrued. See Note 11.

Lease of property, plant and equipment are recognized as a right-of-use asset and a lease liability. The right-of-use asset is measured at cost and comprises the amount of the initial measurement of the asset.

The right-of-use asset represents the Company's right to use the underlying leased asset.

Short-term right-of-use asset leases (less than 12 months) and low-value assets are recognized in income as accrued.

After the lease commencement date, the Company measures the right-of-use asset at cost less any accumulated depreciation or amortization and any accumulated impairment losses.

Right-of-use assets are presented within the same line item as the statement of the financial position, in accordance to the underlying asset to which are associated property, plant and equipment.

Right-of-use assets are presented separately in the statement of financial position under the concept of leased assets.

Lease liabilities are recognized at the present value of the lease payments that are not paid at that date and shall be discounted using the implicit interest rate.

Property, plant and equipment are subject to annual impairment testing only when impairment indicators are identified; accordingly, these are expressed at their modified historical cost, less cumulative depreciation and, in its case, impairment losses.

g. Advanced payments

Advanced payments represent such expenditures made by the Company where the risks and benefits inherent to the goods to be acquired or services to be received have not been transferred. Advanced payments are recorded at their cost and presented in the statement of the financial position as current or non-current assets, depending on the destination item.

Once goods and/or services related to advanced payments are received, they should be recognized as an expense or an asset in the period income, according to their respective nature.

h. Intangible assets

Intangible assets are recognized when they meet the following conditions: are identifiable, provide future economic benefits and the Company has control over such benefits. Intangible assets are classified as follows:

Definite life: are those whose expected future economic benefits are limited by any legal or economic condition and are amortized in straight line in accordance to the best estimation of their useful life and are subject to annual impairment testing when impairment indicators are identified. See Note 10.

Intangible assets either acquired or developed, are expressed at historical cost.

i. Suppliers

This item includes obligations with suppliers for purchases of goods or services acquired in the normal course of Company's operations. They are initially recognized at the transition price for the goods and services received and tax, and any other amount the supplier has transferred to the entity on behalf of third parties. Subsequent recognition is at amortized cost, which must include, among others, the increases due to the cash interest accrued and the decreases for the principal and interest payments and, where appropriate, the effect of any write-off obtained on the amount payable. When the payment term does not exceed one year, its amortized cost should not be determined. When collection is expected in a period of one year or less from the closing date (or in the normal operating cycle of the business if this cycle exceeds this period) they are presented as current liabilities. If the above is not met, they are presented as non-current liabilities.

j. Provisions

Liability provisions represent current obligations for past events where outflow of economic resources is possible (it is more likely than not). These provisions have been recorded based on Management's best estimation. See Note 12.

k. Payable financial instruments

Includes financial instruments that the entity assumes in the normal course of its operations for loans received from credit institutions and other entities.

They are initially recognized at transaction price net of the transaction costs incurred, commissions and interest, and subsequently its valuation is made at amortized cost, which must include, among others, the increases for the accrued effective interest, the decreases for principal and interest payments, where appropriate, the effect of any write-off obtained on the amount to be paid. The effective interest is recognized in the net profit or loss of the period in which it accrues, unless it qualifies to be capitalized in an asset, based on the provisions of MFRS D-6 "Capitalization of comprehensive financing income (loss)".

Payable financial instruments denominated in foreign currency or in any other exchange unit are initially recognized considering the provisions for transactions in foreign currency in MFRS B-15 "Foreign currency translation", the modifications in their amount derived from the variations in exchange rates must be recognized in the net income or loss of the period and their subsequent recognition is considered based on the amortized cost at the date of the financial statements.

The Company holds payable financial instruments that were designated from their initial recognition as irrevocable based on fair value, whose recognition will be through net profit or loss based on the business model.

Payable financial instruments are derecognized from the statement of the financial position only when they are extinguished due to compliance with the obligation, whether due to the transfer, settlement or expiration of the same. The difference between the carrying amount (or part thereof) derecognized and the carrying amount of the assets delivered is recognized in the net income or loss of the period.

l. Current and deferred income tax

Current and deferred tax is recognized as an expense in the period income, except when arising from a transaction or event that is recognized outside the period income as Other Comprehensive Income (OCI) or an item directly recognized in stockholders' equity.

Deferred income tax is recorded based on the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the accounting and tax values of assets and liabilities expected to be materialized in the future at rates enacted in the tax provisions effective at the date of the financial statements. See Note 16.

m. Deferred Employees' Statutory Profit Sharing (ESPS)

Deferred ESPS is recognized under the comprehensive asset-and-liability method, which consists in recognizing a deferred ESPS for all differences between accounting and tax values of the assets and liabilities in which their payment or recovery is likely. See Note 19.

ESPS current and deferred is presented in the income statement under operative expenses.

n. Employees' benefits

Employees' benefits granted by the Company to its employees, including the benefit plans are described as follows:

Direct benefits (salary, overtime, vacation, holidays, compensated absences payments, etc.), are recognized in income as they accrue and their corresponding liabilities are expressed at nominal value since they are short-term. Compensated absence payments based on the legal or contractual provisions, are non-cumulative.

Post-employment benefits are cumulative remunerations giving place to future benefits for employees, offered by the Company in exchange of current employee's services, whose right is granted to the employee during its working relationship and is acquired by the employee and/or beneficiaries at retirement from the entity and/or upon reaching the retirement age or another eligibility condition. The Company provides. The right to access these benefits usually depends on whether the employee has worked upon the retirement age and completed a minimum period of 35 years of service.

Post-employment benefits are classified as:

Definite contribution plans: these are pension plans through which the Company pays fix contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund has not enough assets to pay all employees those benefits related to their service in current and previous periods. Contributions are recognized as expenses for employee benefit on the date when the contribution is due.

Pension plans for definite benefits: are plans where the entity's responsibility ends up to the settlement of those benefits and whose amounts are determined based on a formula or a scheme stated in the benefit plan itself (benefits for seniority premiums the employee will receive at retirement, pensions, etc.), depend on one or more factors, such as employee's age, years of service and compensation.

Multi-employer plans are define contribution or define benefit plans (other than government plans) inwhich: a) all assets contributed by various entities that are not under common control are joint; b) those assets are used to provide employee benefits of more than one entity, taking into account that both contributions and benefit levels are determined without regard the identity of the entity or employees covered by the plan, and c) liabilities are individually assumed in each of the entities, taking into account the employees covered by the plan.

Liability recognized in the statement of the financial position regarding the defined benefit plans is the present value of the Defined Benefit Obligation (OBD, by its Spanish acronym) at the date of the statement of the financial position. OBD is calculated annually by external specialists, using the method of projected unit cost.

The present value of OBD is determined by discounting estimated future cash flows using discount rates in accordance with MFRS D-3, which are denominated in the currency in which benefits will be paid, and have maturity approximating the terms of the pension liability.

Discount rate used to determine the present value of working liability is the government band rate.

Termination benefits were analyzed in accordance to the Company's accounting policies and payments made, by which Management determined that these payments are non-cumulative and without preexisting conditions, thus they are considered termination benefits and will be recognized when the event takes place.

They were analyzed in accordance with the Company's policies and payments made, by which Management determined, these payments represent pre-existing conditions and are considered cumulative benefits, thus they are recognized ad post-employment benefits. They are payable when the working relationship is terminated by the Company before the normal retirement date or when an employee voluntarily accepts the termination of the employment relationship in exchange of these benefits. The Company recognizes termination benefits at the earliest of the following dates: a) when the Company is no longer able to withdraw the offering of these benefits, and b) at the time the Company recognizes costs for a restructuring involving the payment of termination benefits.

The Company provides short-term employee benefits, which include wages, salaries, annual compensation and bonuses, payable over the next 12 months.

The Company determines the net financial expense (revenue) applying the discount rates to the net defined benefit liability (asset). See Note 14.

o. Stockholders equity

Capital stock, legal reserves, retained earnings are expressed at historical cost.

The net premium in placement of shares represents the difference in surplus between the payment for subscribed shares and their nominal value. See Note 15.

p. OCI

The OCI is comprised of income from the translation of remeasurement related to employees' benefits as well as income tax related to OCI. OCI represents revenues, costs and expenses while already accrued, are pending realization which is expected in the medium term and its value may change due to changes in the fair value of assets or liabilities that gave rise to them, so it may not come to realization in part or in full. OCI is recycled when it is no longer realized and recognized as a separate component in stockholders' equity to be recognized in net profit in the period in which the asset or liability that gave rise to take place.

q. Presentation of costs, expenses and additional items in the income statement

The Company presents costs and expenses in the income statement under the classification criterion based on the function of items, which has as its key feature separating the cost of sales from other costs and expenses based on the nature of items, as it breaks down the categories of costs and expenses, taking into account the specific nature of the type of cost or expense of entity. Additionally, for a better analysis of the financial position, the Company has considered necessary to show the amount of profit (loss) separately in the income statement, because such information is a common practice in the industry the entity belongs. See Note 18.

r. Revenue recognition

Revenue from sale of goods and provision of services in the normal course of the Company's operations is recognized at the fair value of the consideration received or receivable. Revenue is shown net of value added tax, rebates and discounts. See Note 17.

Considering the nature of the products sold by the Company, sales are recognized when (control of the products is transferred, when the products are delivered to the customer has total discretion over the channel and the price to sell the products, and there is no unfulfilled obligation that may affect the customer's acceptance of the product, the delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Company has objective evidence that all acceptance criteria have been met.

When there is an unconditional right to receive a consideration before the control over a good and/or service is transferred to the customer , a contract liability is recognized; when the payment is received, an advance payment from customers is recognized and it must be derecognized (and recognize an income) when it transfers control over the goods or services and, thereby, satisfies its performance obligation.

Allowance for discounts and returns are recognized based on studies made by the Company's Management and considered sufficient to absorb losses. Applications to such allowance are recognized.

s. Cost of contracts with customers

Management recognizes as assets costs directly related to obtain or fulfil a contract, since it considers that these can be recovered. The costs to obtain a contract or to fulfil a contract (direct labor, direct materials, indirect costs assigned to they are related to their obtaining or other costs directly associated with their obtaining, they are determined considering that they can relate directly to a specific contract, generate or improve resources of the entity that will be used to satisfy (or to continue satisfying) obligations to be fulfilled in the future of a current contract, are recoverable and can be quantified reliably. (See Note 18)

Impairment losses are recognized within the net income or loss of the period, when the carrying amount of an asset exceeds the amount pending recognition as income in exchange for the goods or services to which the asset relates, less, costs directly related to the supply of those goods or services that have not yet been recognized as expenses.

t. Exchange gain (loss)

Transactions in foreign currencies are initially recorded at record currency applying the exchange rates prevailing at the date of their operation. Assets and liabilities denominated in such currencies are translated at the exchange rate prevailing at the date of the statement of the financial position. Exchange gain or loss arising from fluctuations in the exchange rates between transaction and settlement dates, or valuation at the period closing are recognized in the comprehensive income statement as they accrue, as a component of comprehensive financing income (loss), with exception of those exchange differences that are capitalized with other Comprehensive Financing Income (CIF) components in the cost of qualifying assets.

Nota 4 - Accounting estimates:

The Company and its subsidiaries perform estimates and projections about future events to recognize and measure certain financial statement items. The resulting recognized accounting estimates may differ from actual results or events. Estimates and projections that have a significant risk of giving rise to material adjustments on assets and liabilities recognized during next year are detailed below.

Income tax

The Company is subject to tax on income. Significant judgments are required to recognize the current and deferred income tax. There are many transactions and calculations for which accurate tax determination is uncertain. The Company recognizes a liability for those matters observed in tax audits which will likely result in the determination of a tax additional to that originally current. When the outcome of these processes is different to the estimated liability, differences are recognized in deferred and/or current income tax.

Labor benefits

The present value of the pension obligations depends on the number of assumptions that are determined on an actuarial basis using a number of assumptions. Any changes to these assumptions would affect the liability recognized.

At year-end, the Company estimates the discount rate for determining the present value of estimated future cash flows to settle the pension obligations, based on interest rates of high quality corporate bonds, denominated in the same currency as pension benefits and that have similar terms to maturity. Other assumptions used to estimate pension obligations are based on current market conditions.

The main assumptions used were as follows:

	March 31, 2020 (%)	March 31, 2019 (%)
Discount rate	6.6	8.94
Salary increase rate	5	5.57
Minimum salary increase rate	7.75	3.75
Inflation rate	3.6	3.50

Assumptions regarding future mortality are based on public statistics and past experience.

The average expected life in years of an employee retired at the age of 65 is more than 75%.

Allowance for expected credit losses

To measure credit loss estimates, accounts receivable and assets for contracts have been grouped according to the characteristics of shared credit risk and days past due. The Company has evaluated the expected credit loss based on the life of the financial instruments held to collect principal and interest, conditional accounts receivable, so it has not determined the stages of the credit risk in which the financial instruments held to collect principal and interest is located.

The allowance for credit losses as of March 31, 2020 and 2019 was determined in the following manner, both for accounts receivable and assets for contracts.

March 31, 2020	Current	Over 30 days due	Over 60 days due	Over 90 days due	Over 120 days due	Total
% allowance for credit losses	1.25%	1.72%	2.07%	2.94%	12.33%	2.17%
Gross carrying amount - accounts receivable	$ 164,138,533	$ 4,501,944	$ 2,429,274	$ 788,561	$ 14,989,177	$ 186,847,489
Allowance for credit losses	2,056,495	77,258	50,244	23,206	1,848,448	4,055,651

March 31, 2019	Current	Over 30 days due	Over 60 days due	Over 90 days due	Over 120 days due	Total
% allowance for credit losses	0.73%	0.69%	1.39%	3.66%	100.00%	1.55%
Gross carrying amount - accounts receivable	$ 164,614,242	$ 22,805,648	$ 522,423	$ 7,308,748	$ 1,412,431	$ 196,663,493
Allowance for credit losses	1,196,583	156,285	7,242	267,670	1,412,431	3,040,211

The allowance for expected credit losses expected credit losses of accounts receivable and assets for contracts is based on assumptions about the probability of default and the severity of the expected loss.

The Company uses judgment to make these assumptions; selecting key and input for the calculation of said allowance based on the history, the existing market conditions and the prospective estimates at the end of each reporting period.

Accounts receivable integrate is shown as follows:

	March 31	
	2020	2019
Accounts receivable	$ 186,847,489	$ 196,663,493
Allowance for doubtful accounts	(4,055,651)	(3,040,211)
Rebates and discounts	(5,423,178)	(8,295,277)
Allowance for Returns	(386,694)	(140,417)
	$ 176,981,966	$ 185,187,588

Nota 5 - Financial risk management:

At March 31, 2020 and 2019, the Company is exposed to the following financial risks as a result of its operations:

Financial risk management is done through financial department, according to the policies approved by the Board of Directors. The entity identifies, assesses and hedged financial risks in close cooperation with its subsidiaries. The Board of Directors has approved general policies written in connection with the financial risk management, as well as policies for specific risks, such as, exchange rate risk, interest rate risk, credit risk, use of trading and/or hedging derivative financial instruments in accounting terms and of non-derivative financial instruments and investment of treasury surplus.

Risk	Risk exposure arising from	Risk measurement	Risk management
Exchange rate Risk	Future business transactions. Recognized financial assets and liabilities not denominated in monetary units of Mexico	Cash flow forecasts. Sensitivity analysis	Foreign currency forward contracts and foreign currency option contracts. Revision of the natural hedge between assets and liabilities in foreign currency
Liquidity risk	Loans and other liabilities	Cash flow forecasts	Availability of credit lines and loan facilities
Credit risk	Cash and cash equivalents, accounts receivable	Expiry analysis. Credit ratings	Diversification of bank deposits and portfolio. Establishment of credit limits and obtaining letters of credit

Market risk

Exchange rate risk

Exposure

The Company's exposure to foreign exchange rate risk at the end of the reporting period is expressed as follows:

	March 31, 2020		March 31, 2019	
	USD	**EUR**	**USD**	**EUR**
Short term:				
Current assets	530,977	97,070	591,841	-
Current liabilities	1,399,867	8,036	957,194	-
Long-term liabilities	8,766,971	-	11,266,971	-
	10,166,838	8,036	12,224,165	-
Net liabilities (Net assets)	9,635,861	(89,034)	11,632,324	-

Instruments used by the Company

The Company operates internationally and is exposed to exchange rate risk, mainly the dollar (USD). The exchange rate risk arises from future business transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company. The risk is measured through a forecast of highly probable expenses in US dollars. The objective of the risk hedges is to minimize the volatility of the cost in the functional currency of the forecasted inventory purchases as highly probable.

Profit is more sensitive to movements in the US dollar exchange rate in 2020 than in 2019, due to the increase in the amount of loans denominated in US dollars. Equity is more sensitive to movements in the US dollar exchange rate in 2020 than in 2019, due to the greater number of foreign currency forwards.

Liquidity risk

A prudent management of liquidity risk implies having enough cash and securities of immediate realization, the availability of financing through an appropriate amount of committed credit lines and the ability to close market positions.

Because of the dynamic nature of the underlying business, the Company's treasury keeps financing flexibility by keeping committed credit lines available.

Management continuously monitors cash flow projections and liquidity requirements ensuring of maintaining sufficient cash and temporary investments to meet operational needs. Generally, this is done locally in the operative companies and according to the limits established by the group. Such limits vary according with the location and consider the market liquidity in which the entity operates. Also the policy on the Company's liquidity management withstand the projection of the cash flows in the main currencies and the consideration of the level of liquid assets necessary to meet such projections; the monitoring of the liquidity reasons of the statement of the financial position concerning the internal and external regulatory requirements and the financing or debt plans.

Exposure

The amounts presented in the following table correspond to the undiscounted cash flows. Outstanding balances within 12 months equal their accounting balances, since the impact of the discount is not significant. 124 For interest rate swaps, cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturity of financial liabilities al March 31, 2020	Less than 6 monts	6 - 12 monts	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total of contractual cash flows	Carrying amount (asset/ liability)
Suppliers	$ 44,487,540	$ -	$ -	$ -	$ -	$ 44,487,540	$ 44,487,540
Loans	3,970,451	6,357,758	58,605,473	43,780,898	212,908,521	325,623,101	325,623,101
Total non-derivative	$ 48,457,991	$ -	$ -	$ -	$ -	$ 370,110,641	$ 370,110,641

Contractual maturity of financial liabilities al March 31, 2019	Less than 6 monts	6 - 12 monts	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total of contractual cash flows	Carrying amount (asset/ liability)
Suppliers	$ 75,920,688	$ -	$ -	$ -	$ -	$ 75,920,688	$ 75,920,688
Loans	4,596,294	-	32,481,616	97,444,848	210,265,993	344,788,751	344,788,751
Total non-derivative	$ 80,516,982	$ -	$ 32,481,616	$ 97,444,848	$ 210,265,993	$ 420,709,439	$ 420,709,439

Credit risk

Exposure

Credit risk arises from cash and cash equivalents, accounts receivable from customers.

Although cash and cash equivalents are also subject to impairment requirements, the identified impairment loss is immaterial.

Nota 6 - Cash and cash equivalents:

Cash and cash equivalents balance at March 31, 2020 and 2019, is mainly comprised by cash, bank deposits, foreign currency balances and temporary investments, all these are high liquidity and are subject to insignificant risks of changes in value. The integration of such balance is shown as follows:

	March 31, 2020	March 31, 2019
Cash	$ 5,500	$ 8,000
Bank deposits	29,318,693	33,386,050
Temporary investments	62,965,209	18,062,898
	$ 92,289,402	$ 51,456,948

At March 31, 2020 and 2019, the Company has not restricted cash or cash equivalents.

Nota 7 - Analysis of inventories:

The summary of inventories are shown as follows:

	March 31, 2020	March 31, 2019
Raw material	$ 68,993,867	$ 111,245,537
Work in process	12,062,722	9,706,226
Finished goods	51,306,188	87,090,414
	132,362,777	208,042,177
Allowance for decrease in value and expired items	(28,301,260)	(9,199,973)
	$ 104,061,517	$ 198,842,204

Nota 8 - Balance and transactions with related parties:

As mentioned in Note 1, the Company is a subsidiary of Lupin Atlantis Holdings with which it has a business relationship because it has financed the Company's operations.

a. Main balances with related parties at March 31, 2020 and 2019, are shown as follows:

	March 31, 2020	March 31, 2019
Payable:		
Lupin Latam, Inc.	$ 6,381,167	$ 4,210,221
Lupin Limited	916,353	883,446
Medquimica Industria Farmaceútica Ldt.	685,704	858,077
	$ 7,983,224	$ 5,951,744

b. Balances payable long term to Lupin Atlantis Holdings, S. A. (controlling company) as of March 31, 2020 and 2019, is comprised as follows:

	March 31, 2020	March 31, 2019
Loan (1)	$ 212,908,520	$ 198,966,711
Interest payable	2,591,646	2,873,924
	$ 215,500,166	$ 201,840,635

(1) On October 1, 2014, the Company entered into a loan up to Dlls. 15,000,000, of unsecured credit line payable to Lupin Atlantis Holdings, S. A. (Controlling Company) from which Dlls.13,268,826 have been disposed as of December 31, 2014, bearing annual interest rate of 6M Dlls. LIBOR + 5.00 BPS. The Company may, at any time and without penalty or premium, paid off or part of the principal amount, however with a minimum amounts of Dlls. 500,000 per repayment. On October 2015 the Company made a repayment for Dlls. 2,000,000.

c. During the years ended at March 31, 2020 and 2019, the Company carried out the following operations with related parties:

	March 31,	
Expenses	**2020**	**2019**
Expenses for services received from:		
Lupin Latam INC	$ 22,527,958	$ 16,591,328
Medquimica	1,271,346	2,520,445
	23,799,304	19,111,773
Interest expense to:		
Lupin Atlantis Holdings, S. A.	10,429,050	11,760,571
ESOP Cost:		
Lupin Limited	756,547	742,943
Maintenance, support services and reimbursements from:		
Lupin Limited	2,555,889	2,193,871
Total expenses	$ 37,540,790	$ 33,809,158
Income:		
Lupin Atlantis Holdings, S. A.	$ -	$ 151,387
Lupin Limited	7,930	45,835
Total income	$ 7,930	$ 197,222

Nota 9 - Property, machinery and equipment:

The detail of this item is shown in the next page.

	March 31, 2020	March 31, 2019	Depreciation annual rate (%)
Components subject to depreciation:			
Buildings	$ 195,614,742	$ 107,062,216	5
Machinery and equipment	195,298,552	91,975,360	10
Transportation equipment	30,897,085	32,901,207	25
Computer equipment	9,713,129	8,435,183	30
Office furniture and fixtures	4,509,790	4,459,113	10
	436,033,298	244,833,079	
Less - Accumulated depreciation	(148,557,879)	(129,579,058)	
	287,475,419	115,254,021	
Components not subject to depreciation:			
Land	126,418,684	126,418,684	
Fixed assets under construction	5,867,793	182,865,154	
	$ 419,761,896	$ 424,537,859	

The depreciation recorded in the results of 2020 and 2019, amounts to Ps32,426,501 and Ps19,082,308 respectively.

Nota 10 - Intangible assets:

At March 31, 2020 and 2019 is comprised as follows:

	March 31, 2020	March 31, 2019	Amortization term in years
Licenses and trademarks [1]	$ 25,594,442	$ 21,943,120	10
Other (sanitary licenses)	983,776	1,716,929	20
	26,578,218	23,660,049	
Accumulated amortization	(6,870,260)	(4,404,312)	
	$ 19,707,958	$ 19,255,737	

The amortization recorded in the income statement in 2020 and 2019, amount to Ps2,465,848 and Ps2,194,312, respectively; which are recognized in the income statement within cost of sale and administrations expense.

(1) On February 21, 2018, the Company entered into a contract with Innovaciones Biomedicas y Tenologicas, S. A. de C. V., for the transferring of certain licenses and trademarks rights.

On April 24, 2018, the Company entered into a contract with Pharmathen Global BV for the transferring of certain licenses and trademarks rights, Within which is the Dorzolmide / Timolol PF product dossiers and it was capitalized on May 31, 2019.

Nota 11 - Leasing:

Depreciation charge for right-of-use assets, by class of underlying asset is shown as follows:

	March 31, 2020 March 31, 2020
Machinery and equipment	$ 486,756
Interest expense on lease liabilities	150,807
	$ 637,563

At March 31, 2020 the amount of right-of-use assets is comprised as follows:

	March 31, 2020 March 31, 2020
Class of underlying asset	
Machinery and equipment	$ 1,209,769
	$ 1,209,769

Nota 12 - Analysis of liability provisions:

The analysis of the most significant provisions is presented as follows:

	Balances as of March 31, 2019	Increases	Applications	Balances as of March 31, 2020
Short term:				
Direct benefits to employees	$ 4,269,504	$ 6,007,085	$ (3,407,144)	$ 6,869,445
Advertisement and commissions	2,927,897	24,918,798	(25,391,785)	2,454,910
Lawsuits	1,779,000	-	-	1,779,000
Marketing	150,000	-	-	150,000
Others services	1,095,635	36,413,397	(30,067,075)	7,441,957
	$ 10,222,036	$ 67,339,280	$ (58,866,004)	$ 18,695,312

Nota 13 - Analysis of bank loans:

At March 31, 2020 the Company had the following bank loans:

Long term	$ 108,744,130
Interests payable to Bank	1,378,805
Total loan and interests payable at long term	$ 110,122,935

Some Company's bank loans set up certain do and do not covenants, which have been covered at March 31, 2020.

At Mach 31, 2020, the Company had authorized bank credit lines hired with Banamex by approximately $108,744,130 have been commanded and were available.

Nota 14 - Employees' benefits:

a. The value of the OBD at March 31, 2020 and 2019, amounted to Ps15,743,710 and Ps12,804,923, respectively.

b. The financial position between the OBD present value and the AP fair value and the A/PNBD recognized in the statement of the financial position is presented as follows:

	Seniority premium		Termination indemnity		Total	
	March 31,		March 31,		March 31,	
PNBD	2020	2019	2020	2019	2020	2019
Accumulated Benefit Obligation (ABO)	$ -	$ (910,155)	$ -	$ -	$ -	$ (910,155)
OBD	(3,598,695)	(2,706,804)	(12,145,015)	(10,098,119)	(15,743,710)	(12,804,923)
(Deficit)/Surplus	$ (3,598,695)	$ (2,706,804)	$ (12,145,015)	$ (10,098,119)	$ (15,743,710)	$ (12,804,923)

c. Reconciliation of defined benefit obligation, plan assets and net/liability for defined benefits

Reconciliation of PNBD initial and final balances:

	Seniority premium		Termination indemnity		Total	
	March 31,		March 31,		March 31,	
PNBD	2020	2019	2020	2019	2020	2019
(Deficit) / Surplus at the beginning of the year	$ (2,706,804)	$ (2,245,184)	$ (10,098,119)	$ (4,977,852)	$ (12,804,923)	$ (7,223,036)
Net Periodic cost	(595,196)	(473,186)	(3,668,631)	(1,779,929)	(4,263,827)	(2,253,115)
Payments	438,646	469,925	5,536,506	6,960,936	5,975,152	7,430,861
Remeasurements	(735,341)	(458,359)	(3,914,771)	(10,301,274)	(4,650,112)	(10,759,633)
(Deficit) / Surplus at the end of the year	$ (3,598,695)	$ (2,706,804)	$ (12,145,015)	$ (10,098,119)	$ (15,743,710)	$ (12,804,923)

Reconciliation of OBD initial and final balances:

	Seniority premium		Termination indemnity		Total	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
OBD at the beginning of the period	$ (2,706,804)	$ (2,245,184)	$ (10,098,119)	$ (4,977,852)	$ (12,804,923)	$ (7,223,036)
Present service cost	(381,467)	(309,668)	(2,872,883)	(1,421,431)	(3,254,350)	(1,731,099)
OBD interest cost	(213,729)	(163,518)	(795,748)	(358,498)	(1,009,477)	(522,016)
Payment of benefits	438,646	469,925	5,536,506	6,960,936	5,975,152	7,430,861
Remeasurements	(735,341)	(458,359)	(3,914,771)	(10,301,274)	(4,650,112)	(10,759,633)
OBD at period-end	$ (3,598,695)	$ (2,706,804)	$ (12,145,015)	$ (10,098,119)	$ (15,743,710)	$ (12,804,923)

d. Period Net Cost (CNP, by its Spanish acronym)

An analysis of the period net cost by plan type is presented as follow:

	Seniority premium		Termination indemnity		Total	
	March 31,		March 31,		March 31,	
CNP	2020	2019	2020	2019	2020	2019
Present service cost	$ 381,467	$ 309,668	$ 2,872,883	$ 1,421,431	$ 3,254,350	$ 1,731,099
Net interest on PNDB	213,729	163,518	795,749	358,498	1,009,478	522,016
Remeasurement Recycling	135,283	71,139	874,171	4,771,548	1,009,454	4,842,687
CNP recognized in net profit of loss	$ 730,479	$ 544,325	$ 4,542,803	$ 6,551,477	$ 5,273,282	$ 7,095,802

	Seniority premium		Termination indemnity		Total	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
Actuarial gains and losses in obligations GPA at the beginning of the period	$ 1,266,332	$ 879,112	$ 6,737,226	$ 1,207,500	$ 8,003,558	$ 2,086,612
Recycling	(135,283)	(71,139)	(874,171)	(127,376)	(1,009,454)	(198,515)
GPA during the year	735,341	458,359	3,914,771	10,301,274	4,650,112	10,759,633
Settlement	-	-	-	(4,644,172)	-	(4,644,172)
(GPA) at the end of the period	$ 1,866,390	$ 1,266,332	$ 9,777,826	$ 6,737,226	$ 11,644,216	$ 8,003,558

Nota 15 - Stockholders' equity:

Capital stock

a. Company's capital stock at March 31, 2020 and 2020, is composed as follows:

Shares	Description	Amount
50,000	Series "A-II", representing the fixed portion of capital stock	$ 50,000
186,950,000	Series " B-II", representing the unlimited variable portion of the capital stock	186,950,000
187,000,000	Capital stock at March 31, 2020	$ 187,000,000

1 Shares issued by the Company, both fixed and variable, will be divide into two series: "A" and "B".

Net income is subject to the legal requirement that at least 5% of the income for each year is intended to increase the legal reserve until it is equal to one fifth of the amount of the capital stock.

Dividends to be paid will be free from income tax if they come from Net Tax Profit Account (CUFIN, by its Spanish acronym). Any dividends paid in excess of CUFIN and reinvested CUFIN (CUFINRE) will cause a tax equivalent to 42.86%. The current tax is payable by the Company and may be credited against its current income tax of the year or the year on which it is paid. The remaining amount may be credited in the following two fiscal years against the tax of the year or against the provisional payments. Dividends paid coming from profit previously taxed by income tax will not be subject to tax withholding or additional tax payment. Income tax law sets the obligation of keeping CUFIN with profit generated up to December 31, 2013 and starting another CUFIN with profit generated from January 1, 2014.

The OCI movements of the period represents the result of measurement of actuarial gain as follows:

	March 31, 2020	March 31, 2019
Initial (gain) loss arising from experience adjustments	$ 8,003,558	$ 2,086,612
Remeasurement (gain) arising from experience adjustments	3,640,658	5,916,946
Total	$ 11,644,216	$ 8,003,558

Nota 16 - Income tax:

Income tax of the year is calculated by applying a 30% rate on the taxable profit. In 2020, the Company determined a tax profit of $40,532,964 (tax profit of $83,546,472 in 2019). In 20120 the tax income differs from the accounting income, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of inflation effects for tax purposes, as well as such items only affecting either the accounting or tax income.

i. Income tax provision is analyzed as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
Current income tax	$ 12,159,889	$ 25,063,942
Deferred income tax	(16,618,802)	1,571,279
Total income tax under the statement of (comprehensive) income	$ (4,458,913)	$ 26,635,221

ii. At March 31, 2020 and 2019, the main temporary differences on which the deferred income tax was recognized are analyzed in the next page.

	March 31, 2020	March 31, 2019
Allowance for doubtful accounts	$ 4,055,651	$ 3,040,211
Allowance for inventory obsolescence	28,301,260	9,199,973
Allowance for Returns	386,694	140,417
Allowance for fee	5,423,178	8,295,227
Accruals	18,695,312	10,222,036
Property, plant and equipment	10,570,517	251,907
Employee benefits	15,743,710	12,804,923
Other Accruals	1,277,243	188,957
Deferred revenue	14,914,699	2,528,293
ESPS	8,157,290	11,565,632
Lease	59,722	-
Prepaid expenses	(3,250,744)	(15,832,846)
Deferred ESPS	(9,617,704)	(3,083,910)
	94,716,828	39,320,820
Applicable income tax rate (30%)	30%	30%
Deferred income tax asset net	28,415,048	11,796,246
Deferred income previous year	11,796,246	13,367,525
Deferred income tax	$ (16,618,802)	$ 1,571,279

iii. Reconciliation between current and effective income tax rate is as follows:

	March 31, 2020	March 31, 2019
(Loss) Profit before income tax	$ (14,094,308)	$ 63,775,381
Current income tax rate	30%	30%
Income tax at legal rate	(4,228,292)	19,132,614
Plus (less) effect of the following permanent items on income tax:		
Non-deductible expenses	4,512,387	5,475,255
Annual inflation adjustment	1,053,091	1,504,839
Other items	(5,796,099)	522,513
Income tax recognized in income	$ (4,458,913)	$ 26,635,221
Effective tax recognized in income	32%	42%

Nota 17 - Analysis of sales:

An analysis of the sales nature is shown as follows:

	March 31, 2020	March 31, 2019
Sales	$ 728,842,492	$ 728,566,709
Returns	(416,980)	(129,096)
Discounts and rebates	(38,711,983)	(50,914,186)
	$ 689,713,529	$ 677,522,617

Nota 18 - Analysis of costs and expenses:

An analysis of the nature of relevant costs and expenses classified by function in the income statement is as follows:

	March 31, 2020	March 31, 2019
Costs of sales:		
Raw material purchases	$ 184,559,456	$ 149,623,030
Salaries and related cost	53,511,837	49,009,238
Maintenance and other	40,077,201	46,290,497
Depreciation and amortization	22,916,584	9,364,402
Employee statutory profit sharing	4,752,151	1,686,585
	$ 305,817,229	$ 255,973,752
Selling and distribution expenses:		
Salaries and related cost	$ 80,874,996	$ 67,929,682
Promotional and advertising	32,841,438	31,237,865
Maintenance and other	54,910,612	66,877,606
Sales incentives	18,965,815	20,592,095
Employee statutory profit sharing	820,169	2,236,906
Medical test	17,458,120	9,858,294
Depreciation and amortization	6,855,805	7,067,898
Insurances	4,350,422	3,992,453
Rents	2,465,948	2,194,312
	$ 219,543,325	$ 211,987,111

	March 31, 2020	March 31, 2019
Administrative expenses:		
Salaries and related cost	$ 40,580,617	$ 42,619,695
Advice of legal entities	8,403,058	10,423,814
Maintenance and other	34,458,729	30,164,808
Depreciation and amortization	2,245,663	1,795,920
Insurances	1,477,569	998,624
Employee statutory profit sharing	2,346,053	2,314,132
Bank charges	286,755	2,994,003
Products Development	4,210,972	3,246,232
Deferred ESPS	(6,533,794)	1,094,383
	$ 87,475,622	$ 95,651,611
Research and development expenses:		
Analytical and Development	$ 12,022,485	$ 8,935,167
Salaries and related cost	3,508,199	2,616,684
Maintenance and other	7,647,979	2,465,971
Depreciation	895,199	854,088
Employee statutory profit sharing	238,917	98,173
	$ 24,312,779	$ 14,970,083

Nota 19 - Current and deferred ESPS:

The Company is subject to the payment of ESPS, which is calculated by applying the procedures established in article 9 of the Income tax law, in which taxable income for income tax purposes is considered as a tax base, without reducing the ESPS paid of the fiscal year, nor the tax losses applied. Additionally, the non-deductible part of the exempt social security provision referred to in section XXX of article 28 of the Income tax law must be deducted from cumulative income.

In 2020, the Company determined a ESPS payable of Ps8,157,290 (ESPS Ps6,335,796 in 2019). ESPS' taxable base differs from the accounting income mainly due to the differences in the time in which some items are accumulated or deducted for accounting purposes, and for the effects of the current ESPS, as well as those items that only affect the accounting income or the current ESPS of the year.

Provisions for ESPS in 2020 and 2019, are analyzed as follows:

	March 31, 2020	March 31, 2019
Current ESPS	$ 8,157,290	$ 6,335,796
Deferred ESPS	(6,533,794)	1,094,383
Total	$ 1,623,496	$ 7,430,179

The main temporary differences on which the deferred ESPS was recognized are analyzed as follows:

	March 31, 2020	March 31, 2019
Allowance for doubtful accounts	$ 4,055,651	$ 3,040,211
Allowance for inventory obsolescence	28,301,260	9,199,973
Allowance for Returns	386,694	140,417
Allowance for fee	5,423,178	8,295,227
Accruals	18,695,312	10,222,036
Property, plant and equipment	10,570,517	251,907
Employee benefits	15,743,710	12,804,923
Other Accruals	1,277,043	188,957
Deferred revenue	14,914,699	2,528,293
Lease	59,722	-
Prepaid expenses	(3,250,744)	(15,832,846)
	96,177,042	30,839,098
Applicable ESPS rate	10%	10%
Deferred ESPS calculated	$ 9,617,704	$ 3,083,910

Nota 20 - Contingencies and commitments:

a. Contingencies

i. In the normal course of its operations, the Company is involved in some legal processes. Company's Management considers that the final resolution of these issues will not have a relevant adverse impact on the Company's financial position or in its future results.

ii. The tax authorities are entitled to review tax returns filed by the Company, which could give rise to claims related to interpretation, which in any case, can be contested. At the date of authorization of the financial statements, Company's Management does not have knowledge of any claim about it.

Nota 21 - Subsequent events:

In December 2019, news from China about COVID-19 (Coronavirus) first emerged. The situation by the end of the year was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first months of 2020, the virus spread worldwide.

The Company considers this pandemic will have an inevitable negative impact on the Mexican economy, the quantification of which is subject to a high level of uncertainty. The final impacts of this crisis will depend on the degree of coordination of the federal authorities and the measures adopted by the private initiative to support the continuity of productive activity and the maintenance of employment.

In general, the Company continues to enjoy stable growth, because the Healthcare and Pharmaceuticals & life sciences sectors, are priority sectors for the economy, as established by the Mexican government. However the devaluation of the exchange rate, the change in the product mix and closure of country borders could affect the Company's profitability in the medium term.

The management team has implemented various contingency measures to promote the well-being of its employees and family and the operational continuity of the Company.

At that moment is impossible to predict the final impact that the Company could experience, because the COVID-19 pandemic continues to evolve and is uncertainty of the magnitude and duration in Mexico, the Compañy requiring constant monitoring of the behavior of all the variables that affect their performance; however, all possible actions have been taken and expected to mitigate and offset the effects between products to achieve the Company's objectives.

Nota 22 - New accounting pronouncements:

The following describes a series of MFRS issued by CINIF during December 2017, 2018 and 2019, which will take effect in 2020 and 2021. Those MFRS are not considered to have a significant affectation in the financial information to be presented by the Company.

2021

MFRS C-17 "Investment Property". Establishes the valuation, presentation and disclosure standards for the recognition of investment property in the financial statements of an entity. It opens the possibility that investment properties are valued at the entity's choice, either at their acquisition cost or at fair value. It eliminates the supplementary nature of International Accounting Standard 40, Investment Properties and repeals Circular 55, Supplementary Application of IAS 40.

Its initial adoption should be done retrospectively, based on MFRS B-1 " Accounting changes and corrections of errors " as of January 1, 2021.

MFRS -22 "Cryptocurrencies". Establishes the valuation, presentation and disclosure standards for the recognition in the financial statements of an entity owning or realizing a) cryptocurrencies, b) cryptocurrency mining expenses, and c) cryptocurrencies that are not owned by them. Provisions of this MFRS are effective for periods beginning on January 1, 2021 and allows its early application.

2020

MFRS B-11 "Disposal of long-lived assets and discontinued operations". Establishes the valuation, presentation and disclosure standards for the disposal of long-lived assets and discontinued operations.

Clarifies that assets of a particular class, usually considered non-current by the entity but that are exclusively acquired with the purpose to resale, are not classified as current unless they meet the criteria to be classified as held for sale.

MFRS E-1 "Agriculture". Establishes the valuation, presentation and disclosure standards for the recognition of assets related to agricultural activity. Clarifies the recognition of biological assets during its biological transformation and at its completion, as biological assets producing biological assets or agricultural products. Also, includes the accounting treatment for producer biological assets (production plants).

Improvements to MFRS 2020

- MFRS C-16 "Impairment of receivable financial instruments". Establishes the standards for the accounting treatment of the effects of the renegotiation of a financial instruments held to collect principal and interest (IFCPI by its Spanish acronym) that was not derecognized as consequence of renegotiation.

- MFRS C-19 "Payable Financial Instruments" and MFRS C-20 "Financial Instruments held to collect principal and interest". Eliminates the requirement to periodically recalculate the effective rate during the life of the payable financial instrument (IFP by its Spanish acronym) and of the financial instrument held to collect principal and interest (IFCIP) when these Instruments have a variable interest rate not producing effects of relative importance.

- MFRS D-4 "Income Taxes". Incorporates the guidelines for recognition and measurement of income taxes when there are uncertainties about uncertain tax positions in the determination of income tax. It also includes standards for the accounting recognition of income taxes produced by the distribution of dividends.

- MFRS D-3 "Employee benefits". It is based on what is described in MFRS D-4 for the determination of both current and deferred ESPS;

- MFRS D-5 "Leases". It incorporates the possibility of using a risk-free rate to discount future lease payments and thus recognize the lease liability of a lessee, instead of using the implicit or incremental interest rate.

  Restricts the use of the practical expedient that allows choosing not to separate non-lease components from those that are lease components, preventing non-lease important and identifiable components from being included in the measurement of right-of-use assets and lease liabilities.

- Guidance for MFRS 4. "Determination of discount rates to recognize lease liabilities" Incorporate the definition of "risk-free rate".

- IFRIC 22, Recognition of the expected effect on hedging relationships for the expected changes in the reference interest rates. Establishes that as long as the uncertainty is not resolved when a change in the reference interest rates used in the recognition of a hedging relationship is anticipated, it should be assumed that the current reference interest rate of the hedged item or the hedging instrument will continue to exist until the end of the hedging and the requirements of its effectiveness will continue to be met.

The accounting changes that arise from the application of these improvements will be applied retrospectively, prospectively or in advance, as appropriate.

Improvements to MFRS 2019

- MFRS B-9 "Interim financial reporting". It is required to disclose information regarding the fair value of financial instruments held to collect principal and interest and payable financial instruments, as set in MFRS C-20 and C-19, respectively; also, it establishes specific events and transactions, where their disclosure is required if they are considered relevant. On the other hand, it is required to disclose the breakdown of revenue from contracts with customers required in MFRS D-1 "Contracts with customers".

Mr. Paulo Tadeu De Resende
General Director