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

Financial statements

March 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

KPMG Cárdenas Dosal, S.C.
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Independent Auditors' Report

The Board of Directors and Stockholders
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 statements of financial position as at March 31, 2017 and 2016, the statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Laboratorios Grin, S. A. de C. V. as at March 31, 2017 and 2016, and its results and its cash flows for the years then ended, in accordance with Mexican Financial Reporting Standards (FRS).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 FRS, 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.

(Continued)

Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
México, D.F.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

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Auditors' Responsibility 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 auditors' 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 auditors' 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 auditors' 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.

(Continued)

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

KPMG CARDENAS DOSAL, S. C.

L.C.C. José Alejandro Ruiz Luna

Mexico City, April 21, 2017

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

Statements of financial position

March 31, 2017 and 2016

(Pesos)

Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 57,585,912	130,223,704
Accounts receivable, net (note 6)	145,689,747	109,315,867
Other receivables-mainly recovable taxes (note 8)	12,637,049	12,986,931
Inventories, net (note 9)	134,646,515	76,995,107
Prepayments (note 10)	8,216,965	5,284,720
Total current assets	358,776,188	334,806,329
Property, plant and equipment, net (note 11)	284,975,572	251,221,679
Intangible assets, net (note 12)	22,479,905	2,598,607
Deferred income taxes and employee statutory profit sharing (note 15)	10,134,468	-
	$ 676,366,133	588,626,615

Liabilities and Stockholders' Equity	2017	2016
Current liabilities:		
Trade accounts payable	$ 40,138,128	14,280,435
Accrued expenses	13,602,316	15,810,389
Accruals (note 13)	18,899,412	8,785,150
Income taxes payable	17,811,919	4,403,704
Employee statutory profit sharing	10,103,566	8,802,926
Related parties (note 7)	38,263,357	55,995,950
Obligations for delivery of products	5,049,808	2,185,280
Total current liabilities	143,868,506	110,263,834
Lupin Atlantis Holdings, S. A. (controling company) (note 7)	213,743,032	201,369,515
Employee benefits (note 14)	4,245,721	4,049,925
Deferred income taxes and employee statutory profit sharing (note 15)	-	1,051,257
Total liabilities	361,857,259	316,734,531
Stockholders' equity (note 16):		
Capital stock	187,000,000	187,000,000
Retained earnings and other capital accounts	127,403,101	84,841,518
Other comprehensive income (note 16(c))	105,773	50,566
Total stockholders' equity	314,508,874	271,892,084
Commitments and contingent liabilities (note 18)		
	$ 676,366,133	588,626,615

See accompanying notes to financial statements.

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

Statememts of Comprehensive Income

Years ended March 31, 2017 and 2016

(Pesos)

		2017	2016
Net sales (note 17)	$	529,772,990	503,072,683
Cost of goods sold (note 17)		167,063,761	147,418,543
Gross profit		362,709,229	355,654,140
Expenses (note 17):			
Selling and distribution		146,145,944	141,574,755
Administrative		65,828,130	51,058,899
Research and development		59,263,994	77,871,351
Total expenses		271,238,068	270,505,005
Operating income		91,471,161	85,149,135
Comprehensive financial results:			
Interest expense, net (note 7)		(8,972,263)	(8,892,019)
Foreign exchange loss, net		(12,434,206)	(28,124,010)
Gain in valuation of financial derivative instruments (note 5)		-	(1,021,475)
Comprehensive financial results, net		(21,406,469)	(38,037,504)
Income, before income taxes		70,064,692	47,111,631
Income taxes (note 15):			
Current		35,771,123	17,680,548
Deferred		(8,268,014)	(762,167)
Total income taxes		27,503,109	16,918,381
Net income		42,561,583	30,193,250
Other comprehensive income (note 16)			
Remeasurements of deffined benefit liability		55,207	50,566
Comprehensive income	$	42,616,790	30,243,816

See accompanying notes to financial statements.

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

Statements of Changes in Stockholders' Equity

Years ended March 31, 2017 and 2016

(Pesos)

	Capital stock	Retained Earnings	Retained Other capital accounts	Retained Subtotal	Other comprehensive income	Total stockholders' equity
Balances as of April 1st, 2015	$ 187,000,000	54,637,125	11,143	54,648,268	-	241,648,268
Net income (note 16(c))	-	30,193,250	-	30,193,250	50,566	30,243,816
Balances as of March 31, 2016	187,000,000	84,830,375	11,143	84,841,518	50,566	271,892,084
Net income (note 16(c))	-	42,561,583	-	42,561,583	55,207	42,616,790
Balances as of March 31, 2017	$ 187,000,000	127,391,958	11,143	127,403,101	105,773	314,508,874

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended March 31, 2017 and 2016

(Pesos)

		2017	2016
Cash flows from operating activities:			
Income before income taxes	$	70,064,692	47,111,631
Items relating to investing activities:			
Depreciation and amortization		15,120,610	12,451,422
Loss on sale of equipment		(251,918)	(1,683,253)
Interest income		(2,707,129)	(2,168,561)
Interest expense		11,679,392	11,060,581
Deferred employee statutory profit sharing		(2,917,711)	-
Unrealized foreign exchange loss		12,373,517	31,585,213
Subtotal		103,361,453	98,357,033
Accounts receivable		(36,373,880)	(7,622,571)
Other receivables		349,882	3,917,719
Inventories		(57,651,408)	(21,972,701)
Prepayments		(2,932,245)	(2,450,195)
Trade accounts payable		10,557,693	55,357,696
Accrued expenses		11,200,142	8,131,827
Accruals		10,114,262	(2,344,789)
Income taxes paid		(35,771,123)	(18,896,547)
Employee statutory profit sharing		1,300,640	2,887,554
Employee benefits		251,003	998,460
Related parties		(17,732,593)	-
Obligations for delivery of products		2,864,528	(767,623)
Net cash (used) provided by operating activities		(10,461,646)	115,595,863
Cash flows from investing activities:			
Acquisitions of property and equipment		(49,814,135)	(40,503,032)
Acquisitions of intangible assets		(4,751,298)	(1,053,179)
Proceeds from sale of equipment		1,361,550	2,275,260
Interest received		2,707,129	2,168,562
Net cash used in investing activities		(50,496,754)	(37,112,389)
(Cash to be obtained from financing activities) Cash surplus to be applied in financing activities		(60,958,400)	78,483,474
Cash flows from financing activities:			
Interest paid to Lupin Atlantis Holdings, S. A.		(11,679,392)	(11,060,581)
Payments to Lupin Atlantis Holdings, S. A.		-	(33,940,000)
Net cash used by financing activities		(11,679,392)	(45,000,581)
Net (decrease) increase in cash and cash equivalents		(72,637,792)	33,482,893
Cash and cash equivalents:			
At beginning of year		130,223,704	96,740,811
At end of year	$	57,585,912	130,223,704

See accompanying notes to financial statements.

(1) Description of business-

Laboratorios Grin, S. A. de C. V. is a company incorporated under the laws of Mexico. The address of the Company´s is Rodriguez Saro No. 630, Col. del Valle, C.P. 03100, Mexico City. The Company is a subsidiary of Lupin Atlantis Holdings, S. A., and related party of Lupin Limited with which it carries out certain transactions described in note 8.

The Company is mainly involved in the manufacturing, formulation, marketing, import, export and selling of ophthalmic products and the Company operates mainly in Mexico.

(2) Financial statement authorization and presentation-

Authorization

On April 21, 2017, Paulo Tadeu de Resende (Legal Delegate) authorized the issuance of the accompanying financial statements and related notes thereto.

In accordance with the Mexican General Corporations Law and the bylaws of Laboratorios Grin, S. A. de C. V., the stockholders are empowered to modify the financial statements after issuance. The accompanying financial statements will be submitted to the next Stockholders' Meeting for approval.

Basis of preparation

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS).

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b) Use of estimates and judgments

The preparation of financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; valuation allowances for accounts receivable, other receivables, inventories and deferred income tax assets and liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

c) Functional and reporting currency

The aforementioned financial statements are presented in Mexican pesos (reporting currency), which is the same as the local currency and the functional currency.

For purposes of disclosure, "pesos" or "$" means Mexican pesos, and "dollars" or "US$" means U.S. dollars.

d) Statement of comprehensive income presentation

The Company presents comprehensive income in a single statement of net income or loss entitled "Income Statement" given that the Company did not generate Other Comprehensive Income (OCI) during the current year or the preceding year, which is presented for comparative purposes.

Given that the Company is a commercial, ordinary costs and expenses are presented based on their function, to arrive at the gross profit margin. Additionally, the "Operating income line item is included, which results from subtracting the cost of sales and expenses from net sales, as this line item is considered to provide a better understanding of the Company's economic and financial performance. Furthermore, the "Other income (expenses)" line item is included as it is deemed convenient for reporting amounts of activities other than the Company's operating activities.

(Continued)

(Mexican pesos)

(3) Summary of significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company:

(a) *Recognition of the effects of inflation-*

The accompanying financial statements have been prepared in accordance with Mexican FRS, and include the recognition of the effects of inflation on the financial information through March 31, 2007, based on the Mexican National Consumer Price Index (NCPI). Annual and cumulative inflation percentage of the last three years and the indices used to determine inflation as of March 31 2017, 2016 and 2015, are as follows:

		Inflation	
March 31,	NCPI	Yearly	Cumulative
2017	126.087	5.35%	11.48%
2016	119.505	2.60%	9.80%
2015	116.647	3.14%	11.56%

(b) *Cash and cash equivalents-*

Cash and cash equivalents consist of checking accounts, foreign currency and other highly liquid instruments. At the date of the financial statements, interest income and foreign exchange gains and losses are included in the statement of comprehensive income.

(c) *Derivative financial instruments-*

All assets and liabilities arising from transactions with financial derivative instruments are recognized by the Company on the statement of financial position at its fair value. Fair value is based on known market prices and, when not listed in an observable market, it is determined based on valuation models using market inputs.

Changes in fair value of derivative financial instruments not designated or that do not qualify for hedge accounting are recognized in results of operations for the year as valuation effects of derivative financial instruments, under comprehensive financial results. Changes in fair value of derivative financial instruments formally designated and qualifying as hedging instruments are recognized in accordance with the corresponding accounting hedging model.

Premiums paid for and/or received from options not designated or not qualifying for hedging purposes are initially recognized at fair value as a financial derivative asset (premiums paid) or liability (premiums received), respectively, without affecting income or loss. Subsequent changes in the fair value are recognized as valuation effects of derivatives under comprehensive financial results.

(d) ***Accounts receivable-***

Accounts receivable are reported at realizable value, net of provisions for returns and discounts and the allowance for doubtful accounts.

(e) ***Inventories and cost of sales-***

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the standard cost.

Unit cost is determined using the average price formula.

Cost of sales represents the cost of inventories at the time of sale, increased, as applicable, for reductions in the net realizable value of inventories during the year.

The Company records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the carrying amount will exceed the future revenues expected from use or realization of the inventory items.

(Continued)

(f) *Prepayments-*

Mainly include prepayments for the purchase of services that are received after the date of the statement of financial position and in the ordinary course of operations, and have presented them in the short or long term attention to the classification of the starting destination.

(g) *Property, plant and equipment-*

From January 1st, 2007, acquisitions of assets under construction or installation include the related comprehensive financial results as part of the value of assets.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets as determined by the Company's Management.

The total useful lives and annual depreciation rates of the principal asset classes are as follows:

	Rates
Buildings	5%
Machinery and equipment	10%
Transportation equipment	25%
Office furniture and equipment	10%
Computer equipment	30%

Leasehold improvements are amortized over the useful life of the improvement or the related contract term, whichever is shorter.

Minor repairs and maintenance costs are expensed as incurred.

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(h) Intangible assets-

Intangible assets with definite useful life mainly include licenses and trademarks. There also include sanitary permits issued for the selling of certain products by the The Federal Commission for the Protection against Sanitary Risk (COFEPRIS). The factors determining the useful life of these assets are established by Ley General de Salud. These assets are recorded at acquisition cost or development cost and amortized using the straight-line.

The total useful lives and annual amortized rates of the principal asset classes are as follows:

	Rates
Licenses and trademarks	15%
Sanitary permits	20%

(i) Accruals-

Based on Management's estimates, the Company recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually unavoidable and arises as a consequence of past events, principally royalties, direct benefits to employees, lawsuits, advises and commissions and events, are recorded at present value.

(j) Employee benefits -

Short-term benefits

The short-term benefits to employees are recognized in the income statement when services are accrued. A liability is recognized for the amount expected to be paid if the company has a legal or constructive obligation to pay this amount as a result of past services provided and the obligation can be estimated.

Long-term benefits

The net obligation of the Company in relation to long-term benefits (except for deferred Employee Statutory Profit Sharing) and the Company is expected to pay after twelve months after the date of the most recent balances presented, is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

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Termination benefits

A liability is recognized for termination benefits and cost or expense when the Company has no realistic alternative than to confront payments or can´t withdraw the offer of those benefits, or when it meets the conditions to recognize the costs of restructuring. The thing that happens first.

Defined benefit plans

The net obligation corresponding to the defined benefit plans Company is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current year and previous years, deducting that amount.

The calculation of obligations for defined benefit plans are performed annually by qualified actuaries using the method of projected unit credit. When the calculation results in a potential asset to the Company, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of economic benefits, consider any minimum funding requirements.

The labor cost of the actual service, which represents the cost of employee benefit period for having completed one year of working life based on benefit plans is recognized in costs and operating expenses. The net interest is recognized within "Comprehensive financial result".

Amendments to plans that affect the cost of past services are recognized in operating results immediately in the year in which the change occurs without the possibility of deferral. Also, the effects of events liquidation or reduction obligations in the period that significantly reduce the cost of future services and /or significantly reduce the population subject to the benefits, respectively, are recognized in operating results.

Remeasurements (before gains and losses) resulting from differences between projected and actual actuarial assumptions at the end of the year are recognized in the period in which they are incurred as part of other comprehensive income in stockholders' equity.

(Continued)

(k) ***Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-***

IT and ESPS payable for the year are determined in conformity with the tax regulations in effect.

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT, for operating loss carryforwards and other recoverable tax credits. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized on the statement of comprehensive income in the period that includes the enactment date.

Current and deferred income taxes and ESPS are presented and classified in the results of operations of the period, except those arising from a transaction that is recognized in Other Comprehensive Income or directly in stockholders' equity.

(l) ***Revenue recognition-***

The Company recognizes revenue from sale of products when the customer takes ownership and assumes risk of loss. Based on Management's analysis and estimates, the Company provides for doubtful receivables (reported under selling expenses), returns and discounts (deducted from sales) and sales and sales incentives (reported under selling expenses).

(m) ***Business and credit concentration-***

Sales to Nadro, S. A. P. I., Farmacos Nacionales, S. A. de C. V., Farmacia Guadalajara, S. A. de C. V. and Casa Marzam, S. A. de C. V. represented 64% at March 2017 and 62% at March 2016 of the Company's net sales.

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(n) Research and development costs-

Research and advertising costs are expensed as incurred.

(o) Comprehensive financial results (CFR)-

The CFR includes interest income and expense and foreign exchange gains and losses.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Monetary assets and liabilities are translated at the exchange rate in force at the statement of financial position date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported on the statement of comprehensive income.

(p) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

(4) Foreign currency exposure and translation-

Monetary assets and liabilities denominated in dollars translated into the reporting currency, as of March 31, 2017 and 2016, were as below:

		Mexican pesos	
		March 2017	March 2016
Current assets	$	17,165,001	8,712,371
Liabilities:			
Current	$	(38,770,725)	(63,192,636)
Long-term		(210,781,367)	(201,369,195)
		(249,552,092)	(264,561,831)
Net liabilities	$	(232,387,091)	(255,849,460)

(Continued)

(Mexican pesos)

As of March 31, 2017 and 2016, foreign exchange losses amounting to $12,434,206 and $28,124,010, respectively, were recorded.

The exchange rate of Dollar used in the various translation process to the reporting currency at March 31, 2017 and 2016 were $18.70 and $17.25 respectively. The exchange rate at the issuance day April 21, 2017 is $18.81

As of March 31, 2017 the Company did not have foreign exchange hedging instruments.

(5) Financial derivative instruments -

Derivatives held for trading (not designated for hedging purposes)

During the year ended March 31, 2016, the company recognized a gain in the comprehensive income aggregating $1,021,475 as realized effects from the valuation of derivative financial instruments.

The Company maintained portfolios of explicit derivative financial instruments and identified embedded derivatives that were neither formally designated nor qualified to be designated as hedges and, therefore, their changes in fair value were recognized in comprehensive financial results, in the Company's comprehensive income. The derivative financial instruments were as below:

Currency forwards

Counterparty	Notional	Basic conditions	Expiration		Effects on income 2016
Grupo Financiero Monex	500,000	16.697	December 31, 2015		254,750
Grupo Financiero Monex	1,000,000	16.727	January 29, 2016		510,143
Grupo Financiero Monex	500,000	16.727	February 26, 2016		256,582
				$	1,021,475

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

Notes to financial statements

(Mexican pesos)

(6) Accounts receivables-

Accounts receivable consist of the following:

		March	
		2017	2016
Trade	$	149,753,943	112,534,113
Less allowance for discounts and returns		1,157,482	1,338,099
Less allowance for doubtful accounts		2,906,714	1,880,147
Accounts receivables	$	145,689,747	109,315,867

(7) Related-party transactions and balances-

Transactions carried out with related parties during the years ended March 31, 2017 and 2016 were as follows:

		March	
		2017	2016
Licensing paid to:			
Lupin Atlantis Holdings, S. A.	$	30,996,000	53,168,085
Lupin Limited		-	16,699,992
Interest expense to:			
Lupin Atlantis Holdings, S. A.	$	11,679,392	11,060,581
Expenses for services received from:			
Lupin Inc.	$	8,347,254	2,523,887
Lupin Latam, Inc.		3,816,748	-
Maintenance, support services and reimbursements from:			
Lupin Limited	$	3,045,171	343,699
ESOP cost			
Lupin Limited	$	1,300,210	-

(Continued)

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

Notes to financial statements

(Mexican pesos)

Balances payable to related parties are as follows:

		2017	2016
Payables:			
Lupin Atlantis Holdings, S. A. (1)	$	30,543,214	53,168,085
Lupin Latam, Inc.		3,585,908	-
Lupin Inc.		3,344,364	2,523,887
Lupin Limited (2)		789,871	303,978
	$	38,263,357	55,995,950

Balances payable long term to Lupin Atlantis Holdings, S. A. (controlling company) as of March 31, 2017 and 2016, is comprised as follows:

		March	
		2017	2016
Loan (3)	$	210,781,367	196,062,196
Interest payable		2,961,665	5,307,319
	$	213,743,032	201,369,515

(1) Relates to a licensing agreement entered with Lupin Atlantis Holdings, S. A. (Controlling Company) for research, development and transfer of product distribution rights, the total agreed amount is USD $4,590,000. Based on these contract, the Company recognized in research and development expenses $30,996,000 pesos and $53,168,085 pesos as of March 31, 2017 and 2016, respectively.

(2) Relates to a licensing agreement entered with Lupin Limited (related-party) for research, development and transfer for distribution of products rights, the total agreed amount is USD $750,000; based on these contract, the Company recognized in research and development expenses $16,699,992 as of March 31, 2016.

(3) On October 1st 2014 the Company entered into a loan up to USD 15,000,000, of unsecured credit line payable to Lupin Atlantis Holdings, S. A. (Controlling Company) from which USD 13,268,826 have been disposed as of December 31, 2014, bearing annual interest rate of 6M USD LIBOR + 500BPS. 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 USD 500,000 per repayment. On October 2015 the company made a repayment for USD 2,000,000.

(Continued)

(Mexican pesos)

(8) Other receivables-

Other receivables consist of the following:

		March	
		2017	2016
Recoverable value-added tax (VAT)	$	9,382,241	7,792,867
Recoverable income taxes (IT)		2,498,628	4,724,384
Employees and officers		756,180	469,680
	$	12,637,049	12,986,931

(9) Inventories-

Inventories are comprised as follows:

		March	
		2017	2016
Raw materials	$	98,709,292	54,730,227
Finished goods		36,433,819	26,288,189
Work in process		8,671,072	-
		143,814,183	81,018,416
Less allowance for decrease in value and obsolete items		9,167,668	4,023,309
	$	134,646,515	76,995,107

(Continued)

(Mexican pesos)

(10) Prepayments-

Prepayments are comprised as follows:

		March	
		2017	2016
Insurance	$	4,048,438	3,266,380
Inventories		2,087,825	711,900
Rights and taxes		1,248,983	1,171,757
Safety deposits		162,219	132,219
Other		669,500	2,464
Total prepayments	$	8,216,965	5,284,720

(11) Property, plant and equipment-

Property, plant and equipment comprise the following:

		March	
		2017	2016
Buildings	$	107,007,261	102,990,088
Machinery and equipment		90,758,575	80,382,545
Transportation equipment		21,071,069	21,069,710
Computer equipment		7,995,621	6,674,243
Office furniture and fixtures		4,758,984	3,526,109
		231,591,510	214,642,695
Less accumulated depreciation		103,020,915	91,059,754
Sub-total property, plant and equipment		128,570,595	123,582,941
Land		126,418,684	126,418,684
Construction in progress (1)		29,986,293	1,220,054
Total property, plant and equipment	$	284,975,572	251,221,679

(1) Construction in progress consist on remodeling and conditioning laboratory installations, as of March 31st 2017 and 2016, the paymentes were $49,643,240 and $26,279,127 respectively.The estimated investment amout for the completion of remodeling and conditioning is $88,363,784 approximately. The estimated date for completion of the project is on july 2017.

(Continued)

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

Notes to financial statements

(Mexican pesos)

(12) Intangible assets-

Intangible assets include the following:

		2017	2016
Licenses and trademarks (1)	$	20,400,000	-
Other (sanitary licens)		2,249,905	2,598,607
		22,649,905	2,598,607
Less accumulated amortization		(170,000)	-
Total property, plant and equipment	$	22,479,905	2,598,607

(1) On February 21st 2017, 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.

(13) Accruals-

Accruals include the following:

	Fees	Royalties	Direct benefits to employees	Lawsuits	Advertisement and commissions	Marketing sponsorship	Others services	Total
Balances as of March 31, 2016	$ -	138,105	4,258,637	1,779,000	2,223,851	385,557	-	8,785,150
Increases	17,564,328	-	4,785,999	-	3,436,125	11,130,285	660,942	37,577,679
Payments	(10,695,126)	(138,105)	(3,552,438)	-	(3,791,805)	(8,868,758)	(417,185)	(27,463,417)
Balances as of March 31, 2017	$ 6,869,202	-	5,492,198	1,779,000	1,868,171	2,647,084	243,757	18,899,412

(1) During 2016, the Company was liable for certain employee lawsuits.

(Continued)

(Mexican pesos)

(14) Employee benefits-

The Company has a defined benefit plan covering all of its employees. The benefits are based on years of service and the employee's compensation.

The cost, obligations and other elements of the seniority premium and severance compensation plans for reasons other than restructuring, mentioned in note 3(h), have been determined based on computations prepared by independent actuaries as of March 31, 2017 and 2016.

Cash flows-

The contributions and benefits paid were as follows:

		Benefits paid	
		2017	2016
Post-retirement benefits	$	4,727,063	-

The components of defined benefit cost for the years ended March 31, 2017 and 2016 are shown below:

		Post-Retirement Benefits	
		2017	2016
Current Service Cost (CLSA)	$	425,241	846,009
Net interest on DBNL or (DBNA)*		251,897	-
Prior Service Labor Cost provided in the year		4,249,611	152,449
Remeasurements of DBNL or (DBNA) recognized in income of the period		(3,890)	6,738
Defined Benefit Cost (income)		4,922,859	1,005,196

(Continued)

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

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	Post-Retirement Benefits	
	2017	**2016**
Beginning balance of DBNL or (DBNA)* remeasurements	(50,566)	-
Remeasurements generated in the year	(55,207)	(50,566)
Ending balance of DBNL or (DBNA)* remeasurements	(105,773)	(50,566)
Beginning balance of DBNL or (DBNA)*	4,049,925	3,102,033
Defined Benefit Cost (income)	4,978,066	1,055,762
Payments charged to DBNL or (DBNA)*	(4,727,063)	(57,304)
Other Adjustments	(55,207)	(50,566)
Ending balance of DBNL or (DBNA)*	4,245,721	4,049,925

The present value of benefit obligations of the plans at March 31, 2017 and 2016 as follows below:

	Post-Retirement Benefits	
	2017	**2016**
Projected liability	$ 4,245,721	4,049,925

	Benefits	
	March	
	2017	**2016**
Discount rate (net of inflation)	7.89%	6.58%
Rate of compensation increase	5.30%	5.30%
Amortization period of unrecognized items (applicable to retirement benefits)	14 years	13 years

(Continued)

(Mexican pesos)

(15) Tax on earnings (Income Tax (IT) and employee statutory profit sharing (ESPS)-

IT Law effective as of January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter.

a) Tax on earnings

The income tax expense (benefit) is as follows:

		March	
		2017	2016
Current IT	$	35,771,123	17,680,548
Deferred		(8,268,014)	(762,167)
Deferred IT	$	27,503,109	16,918,381

Income tax expense attributable to income from continuing operations before income taxes, differed from the amounts computed by applying the Mexican statutory rates of 30% IT to income before income taxes, as a result of the items shown below:

		March	
		2017	2016
Computed "expected" tax expense	$	20,887,286	14,068,650
Increase (reduction) resulting from:			
Effects of inflation, net		1,512,861	390,343
Non-deductible expenses		5,102,962	2,459,388
IT expense	$	27,503,109	16,918,381

(Continued)

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The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, as of March 31, 2017 and 2016 are presented below:

	March 2017	March 2016
Deferred tax assets:		
Allowance for doubtful accounts	$ 872,014	564,044
Allowance for inventory obsolescence	2,750,300	1,206,993
Allowance for doubtful accounts employees	1,322,834	121,090
Allowance for returns	347,245	401,430
Allowance for fee	2,060,761	-
Property, plant and equipment	4,942,013	1,576,342
Employee benefits	1,273,716	1,214,978
Accruals	2,286,229	2,635,545
Deferred revenue	1,514,942	655,584
ESPS	3,031,070	2,640,878
Deferred ESPS	-	299,362
Total deferred tax assets	20,401,124	11,316,246
Deferred tax liabilities:		
Prepaid expenses	3,091,395	2,111,763
Transportation equipment	898,892	1,029,249
Buildings	7,620,255	8,228,617
Deferred ESPS	575,951	-
Total gross deferred tax liabilities	12,186,494	11,369,629
Net deferred tax liability	$ 8,214,631	(53,383)

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

(Continued)

(Mexican pesos)

b) Deferred ESPS

The deferred ESPS effect were amounting to $(2,917,711) and $118,077, as of March 31, 2017 and 2016 respectively. The ESPS effects of temporary differences that give rise to significant portions of the deferred ESPS assets and liabilities, at March 31, 2017 and 2016, are presented below:

		March 2017	March 2016
Deferred tax assets:			
Allowance for doubtful accounts	$	290,671	188,015
Allowance for decrease in value		916,767	402,331
Allowance for doubtful accounts employees		440,946	40,363
Allowance for returns		115,748	133,810
Allowance for fee		686,920	-
Property, plant and equipment		1,647,338	525,447
Employee benefits		424,572	404,993
Accruals		762,076	878,515
Deferred revenue		504,981	218,528
Net deferred ESPS assets	$	5,790,018	2,792,002
Deferred tax liabilities:			
Prepaid expenses		1,030,465	703,921
Transportation equipment		299,631	343,083
Buildings (immediate deduction)		2,540,085	2,742,872
Total gross deferred ESPS liabilities		3,870,181	3,789,876
Net deferred ESPS asset (liability)	$	1,919,837	(997,874)

(Continued)

(Mexican pesos)

(16) Stockholders' equity-

The principal characteristics of Stockholders equity are described below:

(a) Structure of capital stock-

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 Inferma, 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 March 31, 2015 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 Diwakar Naik, gratuitously give in its shareholding in Laboratorios Grin, S. A. de C. V. to Lupin Mexico, S. A. de C. V.

After the aforementioned activity, the Company's capital stock at March 31, 2017 is represented by 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 Lupin Mexico, S. A. de C. V.

(b) Other comprehensive income (OCI) -

Other comprehensive income, which is presented in the statements of changes in stockholders' equity, represents the result of meseaurement of actuarial gain and movements in exchange rates as follows.

		March 2017	March 2016
Initial (gain) loss arising from experience adjustments	$	(50,566)	114,549
Remeasurement (gain) arising from experience adjustments		(55,207)	(165,115)
Total	$	(105,773)	(50,566)

(Continued)

(Mexican pesos)

(c) Restrictions on stockholders' equity-

In accordance with the Mexican General Corporations Law, five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of March 31, 2017, the statutory reserve amounts to $6,752,316, and has not reached the minimum required by law amount. Retained earnings and other stockholders' equity accounts aggregating, on which no IT have been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of such amounts.

(17) Revenue, cost and expenses-

Revenues are as follows:

		March 2017	March 2016
Sales	$	568,713,642	560,844,621
Returns		(24,370,197)	(35,167,424)
Discounts and rebates		(14,570,455)	(22,604,514)
Total	$	529,772,990	503,072,683

The main items comprising cost and general expenses at March 31, 2017 and 2016 are shown below:

		March 2017	March 2016
Costs of sales:			
Raw material purchases	$	81,900,870	65,870,042
Salaries and related cost		43,788,600	40,656,275
Maintenance and other		32,866,192	33,257,671
Depreciation and amortization		8,508,099	7,094,904
Rents		-	539,651
	$	167,063,761	147,418,543

(Continued)

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		March	
		2017	2016
Selling and distribution expenses:			
Salaries and related cost	$	53,828,584	47,389,797
Maintenance and other		40,053,226	19,264,875
Promotional and advertising		29,099,198	24,395,921
Sales incentives		10,038,625	11,652,843
Medical test		5,515,258	31,513,290
Depreciation and amortization		4,107,229	2,837,139
Insurances		1,969,051	1,572,267
Employee statutory profit sharing		1,507,666	2,931,780
Rents		27,107	16,843
	$	146,145,944	141,574,755
Administrative expenses:			
Salaries and related cost	$	39,671,207	24,530,614
Maintenance and other		17,026,386	16,570,679
Advice of legal entities		6,575,203	3,671,978
Depreciation and amortization		2,403,967	1,448,084
Employee statutory profit sharing		1,766,977	2,285,258
Bank charges		674,359	667,735
Insurances		627,743	1,174,465
Cost of sales equipment		-	592,009
Deferred ESPS		(2,917,711)	118,077
	$	65,828,130	51,058,899
Research and development expenses:			
Licensing	$	53,089,635	69,868,077
Maintenance and other		3,073,442	2,269,408
Salaries and related cost		2,237,302	4,703,165
Depreciation and amortization		718,498	707,973
Employee statutory profit sharing		145,117	322,728
	$	59,263,994	77,871,351

(Continued)

(18) Commitments and contingent liabilities-

(a) There is a contingent liability arising from the labor obligations mentioned in note 3(j).

(b) In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

(c) In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(19) Recently issued financial reporting standards-

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the FRS and Improvements listed below:

FRS C-2 ***"Investment in financial instruments"-*** FRS C-2 is effective for years beginning on January 1, 2018. It specific rules for the accounting recognition of investments in financial instruments, principally those held for trading purposes, and the classification of financial instruments based on the business model of an entity, for all instruments as a whole.

FRS C-3 ***"Accounts Receivable"-*** FRS C-3 is effective for years beginning January 1, 2018, and is applicable retrospectively; however, early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of FRS related to financial instruments whose effective date and early adoption are in the same terms. Some of the primary changes resulting from the adoption of this FRS are as follows:

- FRS C-3 provides that accounts receivable based on a contract are deemed financial instruments. On the other hand, some other accounts receivable, resulting from legal or tax provisions, may include certain characteristics of a financial instrument, such as bearing interest, though these are not deemed financial instruments.

(Continued)

- FRS C-3 sets out that the allowance for doubtful trade receivables shall be recognized as revenue is earned. Thus, the allowance shall be recorded as expenses in the statement of comprehensive income.

- FRS C-3 provides that, from initial recognition, the time value of money shall be considered. Therefore, should the effect of the present value of the account receivable be significant in light of its term, an adjustment must be made to take into consideration such present value.

- A reconciliation between the initial and final balances of the allowance for doubtful accounts is required for each period presented.

FRS C-9 ***"Provisions, Contingencies and Commitments"-*** FRS C-9 is effective for years beginning on or after January 1, 2018; early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the initial adoption of FRS C-19 "Financial instruments payable". FRS C-9 supersedes Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments". The first-time adoption of this FRS does not produce accounting changes in the financial statements. Some of the main points covered by this FRS include the following:

- Its scope is reduced by moving the subject concerning the accounting treatment of financial liabilities to FRS C-19 "Financial instruments payable".

- The definition of "liability" is changed by eliminating the qualifier "virtually unavoidable" and including the word "probable".

- The terminology employed throughout the standard is updated to standardize its presentation to the rest of the FRS.

FRS C-16 ***"Impairment of financial instruments receivable"-*** FRS C-16 is effective for years beginning on January 1, 2018. It establishes standards for the accounting recognition of impairment losses of all financial instruments receivable; it indicates when and how an expected impairment loss should be recognized and establishes the methodology for determination.

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FRS C-19 "Financial instruments payable"- FRS C-19 is effective for years beginning on or after January 1, 2018 with retrospective effects and early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of FRS C-9 and the FRS related to financial instruments whose effective date and early adoption are in the same terms. Some of the main points covered by this FRS include the following:

- It provides for the possibility of measuring, subsequent to their initial recognition, certain financial liabilities at fair value when certain conditions are fulfilled.
- Long-term liabilities are initially recognized at present value.
- In restructuring a liability, without the future cash flows for its settlement being substantially modified, the costs and commissions expensed in this process shall affect the amount of the liability and be amortized on a modified effective interest rate basis instead of directly affecting the net income or loss.
- It includes the provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", which was not provided for by the existing standard.
- The effect of extinguishing a financial liability should be presented as a financial result in the comprehensive statement of income.
- It introduces the concepts of amortized cost in valuing financial liabilities and of the effective interest method based on the effective interest rate.

FRS D-1 *"Revenue from contracts with customers"*- FRS D-1 is effective for years beginning on January 1, 2018 and eliminates the supplementary application of International Accounting Standard (IAS) 18. It establishes standards for the accounting recognition of revenue arising from contracts with customers.

FRS D-2 *"Costs from contracts with customers"*- FRS D-2 is effective for years beginning on January 1, 2018. It establishes standards for the accounting recognition of costs of sales of goods or provision of services.

2016 FRS Improvements

In December 2015, CINIF issued the document referred to as "2016 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

FRS C-1 "Cash and cash equivalents" and FRS B -2 "Statement of cash flows"-These modify the definition of cash and cash equivalents to agree with the definitions established in the international financial reporting standards (IFRS) and changes the term "investments available on demand" to "highly-liquid financial instruments". It also stipulates that cash on the initial and subsequent recognition should be valued at fair value, which is face value, cash equivalents should be valued at fair value on initial recognition and highly-liquid financial instruments should be valued based in the provisions of the standard for financial instruments, in accordance with the purpose for which each type of instrument is maintained. These revisions are effective for years beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

Bulletin C-10 "Derivative financial instruments and hedging activities"- In order to homologize with IFRS: it specifies that throughout the hedge period, the hedge must be evaluated in terms of effectiveness; it specifies how to determine the primary position and incorporates the concept "transaction costs" and makes adjustments for the accounting recognition of such costs. These revisions are effective for years beginning on or after January 1, 2016 and the accounting changes that arise should be recognized retrospectively.

Management estimates that the new FRS and the improvements to FRS will be immaterial.