LUPIN
LATAM

LUPIN LATAM, INC.

Financial Statements
As of and for the Year Ended March 31, 2018 and the Three Months Ended March 31, 2017

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

Independent Auditor's Report

The Board of Directors and Stockholder
Lupin Latam, Inc.:

We have audited the accompanying financial statements of Lupin Latam, Inc., which comprise the balance sheet as of March 31, 2018 and 2017, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended March 31, 2018 and the three month period ended March 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lupin Latam, Inc. as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the year ended March 31, 2018 and the three month period ended March 31, 2017 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 14, 2018

LUPIN LATAM, INC.
BALANCE SHEETS

	March 31, 2018	March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 567,948	$ —
Intercompany receivables	686,684	897,230
Income taxes receivable	14,297	—
Prepaid expenses and other current assets	107,478	10,834
Total current assets	1,376,407	908,064
Property, plant and equipment, net	2,388	5,079
Deferred income taxes	—	21,653
Total assets	$ 1,378,795	$ 934,796
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 5,000	$ —
Accrued expenses	528,068	197,958
Income taxes payable	—	60,821
Intercompany payables	323,991	639,851
Deferred income taxes	2,023	—
Total current liabilities	859,082	898,630
Intercompany long term debt	300,000	—
Other liabilities	—	31,050
Total liabilities	1,159,082	929,680
Stockholder's equity:		
Common stock	1	1
Additional paid-in capital	200,000	—
Retained earnings	19,712	5,115
Total stockholder's equity	219,713	5,116
Total liabilities and stockholder's equity	$ 1,378,795	$ 934,796

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF OPERATIONS

		Year Ended March 31, 2018		Three Months Ended March 31, 2017
Service revenue	$	2,864,010	$	897,229
Costs and expenses:				
Cost of revenue		2,728,158		852,946
Selling, general and administrative		44,578		—
Income from operations		91,274		44,283
Interest expense		9,119		—
Income from operations before income tax		82,155		44,283
Income tax expense		67,558		39,168
Net income	$	14,597	$	5,115

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Stock, $0.001 Par Value								
	Shares		Amount		Additional Paid-in Capital		Retained Earnings		Total Stockholder's Equity
Balance at January 1, 2017	1,000	$	1	$	—	$	—	$	1
Net income	—		—		—		5,115		5,115
Balance at March 31, 2017	1,000	$	1	$	—	$	5,115	$	5,116
Net income	—		—		—		14,597		14,597
Capital contributions	—		—		200,000		—		200,000
Balance at March 31, 2018	1,000	$	1	$	200,000	$	19,712	$	219,713

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF CASH FLOWS

		Year Ended March 31, 2018		Three Months Ended March 31, 2017
Operating activities:				
Net income	$	14,597	$	5,115
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of property, plant and equipment		2,691		671
Deferred income taxes		23,676		(21,653)
Changes in operating assets and liabilities:				
Intercompany receivables		210,546		(897,230)
Prepaid expenses and other assets		(96,644)		(10,834)
Accounts payable		5,000		—
Accrued expenses and other liabilities		299,060		229,008
Intercompany payables		(315,860)		639,851
Income taxes receivable/payable		(75,118)		60,822
Net cash provided by operating activities		67,948		5,750
Investing activities:				
Purchase of property, plant and equipment		—		(5,750)
Net cash used in investing activities		—		(5,750)
Financing activities:				
Proceeds from debt issuance		300,000		—
Capital contributions		200,000		—
Net cash provided by financing activities		500,000		—
Net change in cash and cash equivalents		567,948		—
Cash and cash equivalents—beginning of period		—		—
Cash and cash equivalents—end of period	$	567,948	$	—
SUPPLEMENTAL INFORMATION				
Cash paid for taxes	$	58,100	$	—

See accompanying notes to financial statements.

Note 1. Organization and Description of the Business

Lupin Latam, Inc. (the Company) was incorporated in the United States of America (USA) under the Laws of the State of Delaware on December 15, 2016. The Company commenced operations on January 1, 2017. The Company is a consolidated subsidiary of Lupin Atlantis Holdings SA (LAHSA), which is wholly owned by Lupin Limited (LL), the Company's ultimate parent company. The Company's core business is to provide advisory, distribution and managerial services in the pharmaceutical sector for identification of new products, technologies and therapies within Mexico and Brazil on behalf of its parent and ultimate parent. The Company records expenditures when incurred and through transfer pricing agreements with related parties, namely, Lupin Limited (LL), Lupin Inc. (LI), Laboratories Grin, S.A. de C.V., Mexico (Laboratories Grin), and Medquimica Industria Farmaceutica Ltda, Brazil (Medquimica). The Company is reimbursed based upon actual cost plus six percent margin, with the exception of pass through expense, which is reimbursed without profit margin. The Company's remuneration for such services is subject to an annual transfer pricing study.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Revenue Recognition

Revenues from services are recognized as earned in accordance with the contract terms and as services have been performed and collectability is reasonably assured.

Cash and Cash Equivalents

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

Intercompany Receivables and Payables

Intercompany receivables and payables represent balances due to and due from related parties.

Property, Plant and Equipment

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

The Company reviews long-lived assets, which consist solely of equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable based on the criteria for accounting for the impairment or disposal of long-lived assets under Accounting Standard Code ("ASC") Topic 360, Property, Plant and Equipment. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets group to future undiscounted net cash flows expected to be generated by the assets group. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized for the difference between the fair value and carrying value of assets within the group. There were no impairment losses recognized during the year ended March 31, 2018.

Income Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. For the year ended March 31, 2018, and three months ended March 31, 2017, the Company did not have any uncertain tax positions.

The Tax Cuts and Jobs Act (the “TCJA”) was enacted on December 22, 2017. The TCJA includes a number of changes in existing tax law impacting businesses, including a permanent reduction in the U.S. federal statutory rate from 35% to 21%. Under U.S. GAAP, changes in tax rates and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are re-measured at the enacted tax rate. Guidance issued by the Securities Exchange Commission (“SEC”) and approved by the FASB for private companies provides for a measurement period of one year from the enactment date to finalize the accounting for effects of the Tax Cuts and Jobs Act. The Company accounted for these changes in the year ended March 31, 2018.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Company is currently assessing the impacts this guidance may have on their consolidated financial statements and disclosures as well as the transition method that we will use to adopt the guidance. In August 2015, the FASB issued an amendment to provide a one year deferral of the effective date to annual reporting periods beginning on or after December 15, 2018, as well as an option to early adopt the standard for annual periods beginning on or after December 15, 2016. The Company does not plan to early adopt the standard. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *"Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern"* (ASU 2014-15), that requires management to evaluate whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the financial statements are issued or available to be issued on both an interim and annual basis. Management is required to provide certain footnote disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the Company's ability to continue as a going concern. ASU 2014-15 was effective for all entities for the annual period ending after December 15, 2016, and for annual and interim periods thereafter, with early adoption permitted. The Company adopted ASU 2014-15 as of the period ended March 31, 2017, and its adoption did not have any significant impact on the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The ASU requires that all deferred tax assets and liabilities, along with any related valuation allowance, to be classified as noncurrent on the balance sheet. The ASU is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company has early adopted this guidance in fiscal year 2018 and its adoption did not have a material impact on our financial position.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact the standard may have on the Company's consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which amended the existing accounting standards for the statement of cash flows by providing guidance on eight classification issues related to the statement of cash flows. ASU 2016-15 will be effective in fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The amendments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the amendments may be applied prospectively as of the earliest date practicable. The Company is currently in the process of assessing the impact of ASU 2016-15 on the Company's consolidated financial statements and related disclosures.

Note 3. Property, Plant and Equipment, net

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

	March 31, 2018	March 31, 2017
Computers and equipment	$ 5,750	$ 5,750
Less: accumulated depreciation	(3,362)	(671)
Property and equipment, net	$ 2,388	$ 5,079

Depreciation expense was $2,691 for the year ended March 31, 2018.

Note 4. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2018	March 31, 2017
Payroll and benefits	$ 38,240	$ 35,532
Bonus and incentives	402,309	87,563
Other expenses	87,519	74,863
Accrued expenses	$ 528,068	$ 197,958

Note 5. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the asset/liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company's income before taxes was $82,155 and $44,283 for the periods ended March 31, 2018, and 2017, respectively, and were generated entirely in the United States.

Income tax expense consists of:

	Year Ended March 31, 2018	Three Months Ended March 31, 2017
Current provision:		
U.S. federal	$ 37,831	$ 52,149
U.S. state	6,051	8,672
Total current provision	43,882	60,821
Deferred benefit:		
U.S. federal	20,283	(19,646)
U.S. state	3,393	(2,007)
Total deferred benefit	23,676	(21,653)
Total current and deferred provision	$ 67,558	$ 39,168

A reconciliation of the expected statutory federal income tax rate to the Company's effective tax rate is as follows:

	Year Ended March 31, 2018	Three Months Ended March 31, 2017
Income before income tax	$ 82,155	$ 44,283
Statutory tax rate	31.55 %	35.00 %
Income tax provision at statutory rate	25,918	15,499
U.S. state tax provision	6,256	3,630
	32,174	19,129
Increase in income tax expense resulting from:		
Non-deductible expenses and other	34,105	20,039
Tax law rate change	1,279	—
Income tax expense	$ 67,558	$ 39,168

The TCJA was enacted on December 22, 2017. The TCJA includes a number of changes in existing tax law impacting businesses, including a permanent reduction in the U.S. federal statutory rate from 35% to 21%. Under U.S. GAAP, changes in tax rates and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are re-measured at the enacted tax rate. Guidance issued by the Securities Exchange Commission ("SEC") and approved by the FASB for private companies provides for a measurement period of one year from the enactment date to finalize the accounting for effects of the Tax Cuts and Jobs Act.

The rate reduction generally takes effect on January 1, 2018. However, as a fiscal year corporate filer (March 31, 2018), the Company is required to follow Internal Revenue Code section 15 for statutory rate changes. As a result, the Company used a blended rate of 31.55% for this period. The Company was previously in a net deferred tax asset position. However, as a result of the tax rate change, the Company realized an additional unfavorable impact of $1,279 for fiscal year ended March 31, 2018. After the fiscal year ended March 31, 2018, the Company will be subject to a federal statutory tax rate of 21%.

The Company's global parent company, LL, provides for a Lupin Subsidiary Companies Employees Stock Option Plan ("ESOP") for some of its key employees. The Company was charged for these expenses. The tax effect of the ESOP of $30,191 for the current period is reflected in the income tax rate due to the non-deductibility of those expenses.

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred taxes are comprised of the following:

		March 31, 2018		March 31, 2017
Deferred tax assets:				
Accrued payroll related liabilities	$	24,422	$	25,684
Other		834		259
Total net deferred tax assets		25,256		25,943
Deferred tax liabilities:				
Prepaid expenses		26,666		4,179
Other		613		111
Total net deferred tax liabilities		27,279		4,290
Net deferred tax (liability) asset	$	(2,023)	$	21,653

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company's current taxable position, the Company has concluded that it is more likely than not that the benefit of its deferred tax assets will be realized.

The Company files its corporate income tax returns in the United States and in the state of Florida. The federal and state income tax return are generally subject to tax examinations for the three-year period from the date of their filing. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period. The Company is currently not under examination by any taxing authorities.

Note 6. Related Party Transactions

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

- LL (Parent Company)
- LAHSA (Direct Parent Company)
- Lupin Inc. (LI) (Sister Company)
- Laboratorios Grin, S.A. de C.V., Mexico (Laboratories Grin) (Sister Company)
- Medquimica Industria Farmaceutica Ltda, Brazil (Medquimica) (Sister Company)
- Lupin Pharmaceuticals, Inc. (LPI) (Sister Company)

Transactions, which take place at an arm's length, between entities range from clinical service charges, capital contributions, dividend payments, expense reimbursement, guarantee fees, management fees, research services, short term borrowings and tax sharing.

The following represents related party sales:

		Year Ended March 31, 2018		Three Months Ended March 31, 2017
Sales to LL	$	1,166,853	$	563,864
Sales to Medquimica		761,434		129,347
Sales to Laboratories Grin		935,723		204,018
Related party sales	$	2,864,010	$	897,229

The following represents related party purchases:

	Year Ended March 31, 2018	Three Months Ended March 31, 2017
Purchases from LL	$ 95,698	$ —
Purchases from LI	945,811	599,832
Purchases from LPI	5,499	16,794
Purchases from Medquimica	194,350	10,952
Purchases from Laboratories Grin	34,271	12,273
Related party purchases	$ 1,275,629	$ 639,851

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

	March 31, 2018	March 31, 2017
Due from LL	$ 341,219	$ 563,864
Due from LAHSA	—	1
Due from Medquimica	67,108	129,347
Due from Laboratories Grin	278,357	204,018
Intercompany receivables	$ 686,684	$ 897,230

	March 31, 2018	March 31, 2017
Due to LL	$ 17,436	$ 16,794
Due to LAHSA	9,119	—
Due to LI	293,897	599,832
Due to LPI	3,539	10,952
Due to Laboratories Grin	—	12,273
Intercompany payables	$ 323,991	$ 639,851

On April 13, 2017, the Company entered into a loan agreement with LAHSA for $300,000. The loan matures and is payable on December 31, 2020. Interest is accrued on the loan at the effective rate of 3.1%. The Company incurred interest expense of $9,119 for the year ended March 31, 2018.

On April 13, 2017 the Company received a capital contribution of $200,000 from LAHSA for its initial equity funding for working capital.

Note 7. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions that are not to exceed statutory limits. Employer matching contributions are equal to 100% of the first 3%, and 50% of the second 3% of employee contributions. For the year ended March 31, 2018 and the three months ended March 31, 2017, the Company made matching contributions of $22,810 and $10,907, respectively.

Note 8. Subsequent Events

The Company evaluates events or transactions that occur after the balance sheet date but prior to the issuance of financial statements and concluded that no subsequent events have occurred through May 14, 2018 that require adjustment to or disclosure in the Company’s financial statements.