LUPIN
LATAM

LUPIN LATAM, INC.

Financial Statements
As of and for the Years Ended
March 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Lupin Latam, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lupin Latam, Inc. (the Company), which comprises the balance sheet as of March 31, 2019, and the related statements of operations, changes in stockholder equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Director and Stockholder
Lupin Latam, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company7 as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Prior Auditor

The financial statements of Lupin Latam, Inc. as of March 31, 2018, were audited by other auditors whose report dated May 14, 2018, expressed an unmodified opinion of those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 26, 2019

LUPIN LATAM, INC.
BALANCE SHEETS

	March 31, 2019		March 31, 2018	
ASSETS				
Current assets:				
Cash and cash equivalents	$	646,114	$	567,948
Intercompany receivables		648,068		686,684
Income taxes receivable		—		14,297
Prepaid expenses and other current assets		30,166		107,478
Total current assets		1,324,348		1,376,407
Property, plant, and equipment, net		2		2,388
Deferred tax assets		30,581		—
Total assets	$	1,354,931	$	1,378,795
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Accounts payable	$	62,028	$	5,000
Accrued expenses		478,255		461,018
Income taxes payable		38,963		—
Intercompany payables		182,641		323,991
Deferred income taxes		—		2,023
Total current liabilities		761,887		792,032
Intercompany long term debt		300,000		300,000
Other liabilities		106,739		67,050
Total liabilities		1,168,626		1,159,082
Stockholder's equity:				
Common stock		1		1
Additional paid-in capital		200,000		200,000
Retained earnings		(13,696)		19,712
Total stockholder equity		186,305		219,713
Total liabilities and stockholder equity	$	1,354,931	$	1,378,795

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF OPERATIONS

	Year Ended Mar 31,	
	2019	**2018**
Service revenue	$ 2,662,907	$ 2,864,010
Operating expenses	2,527,657	2,772,736
Income from operations	135,250	91,274
Interest expense, net	9,429	9,119
Income from operations before income tax	125,821	82,155
Income tax provision	159,229	67,558
Net (loss) income	$ (33,408)	$ 14,597

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY

	Common Stock, $0.001 Par Value		Additional Paid-in Capital	Retained Earnings	Total Stockholder Equity
	Shares	Amount			
Balance at April 1, 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
Net loss	—	—	—	(33,408)	(33,408)
Balance at March 31, 2019	1,000	$ 1	$ 200,000	$ (13,696)	$ 186,305

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF CASH FLOWS

	Year Ended March 31,	
	2019	2018
Operating activities:		
Net (loss) income	$ (33,408)	$ 14,597
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	2,386	2,691
Deferred income taxes	(32,604)	23,676
Changes in operating assets and liabilities:		
Intercompany receivables	38,616	210,546
Prepaid expenses and other assets	77,312	(96,644)
Accounts payable	57,028	5,000
Accrued expenses and other liabilities	56,926	299,060
Intercompany payables	(141,350)	(315,860)
Income taxes receivable/payable	53,260	(75,118)
Net cash provided by operating activities	78,166	67,948
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	78,166	567,948
Cash and cash equivalents—beginning of period	567,948	—
Cash and cash equivalents—end of period	$ 646,114	$ 567,948
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 9,119	$ —
Cash paid for taxes	$ 138,573	$ 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 6 percent margin, with the exception of pass through expense, which is reimbursed without profit margin.

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).

Certain reclassifications have been made to prior period amounts to conform to the current presentation. Long-term compensation payables have been reclassified on the Balance Sheets from Accrued expenses to Other liabilities. In addition, the Company reclassified Cost of revenue and Selling, general and administrative on the Statements of Operations to Operating expenses. These reclassifications had no effect on the reported net (loss) income.

Use of Estimates

Management considers many factors in developing the estimates and assumptions that are used in the preparation of these consolidated 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

The Company adopted ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606) on April 1, 2018 using the modified retrospective method. For further discussion of the impact of adoption, refer to the "Recent Accounting Pronouncements" section below. The Company recognizes revenue pursuant to ASC 606.

The Company's core business is to provide advisory services to the related parties under LL. The service contracts are time and materials based. The Company elected to use the "as invoiced" practical expedient as allowed by ASC 606, under which the Company recognizes revenue over time in the amount to which it has a right to invoice after the services are provided. The invoice amount generally represents the costs incurred to provide the service plus a markup specified by the service contract.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banks and 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 which are consolidated subsidiaries of LL.

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.

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, 2019 and 2018, respectively, the Company did not have any uncertain tax positions.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. Subsequently, the FASB issued a series of updates to the revenue recognition guidance in ASC 606 (collectively, the new standard). 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 Company early adopted the new standard for the annual financial statements for the year ended March 31, 2019 utilizing the modified retrospective method. The adoption of this new standard did not have material impact on the Company’s financial statements.

Note 3. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2019		March 31, 2018	
Payroll and benefits	$	51,527	$	38,240
Bonus and incentives		400,203		335,259
Other expenses		26,525		87,519
Accrued expenses	$	478,255	$	461,018

Note 4. 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 $125,821 and $82,155 for the years ended March 31, 2019 and 2018, respectively, and were generated entirely in the United States.

Income tax provision consists of:

	Year Ended March 31,	
	2019	**2018**
Current provision:		
U.S. federal	$ 69,328	$ 37,831
U.S. state	17,032	6,051
Foreign	105,473	—
Total current provision	191,833	43,882
Deferred (benefit) provision:		
U.S. federal	(27,530)	20,283
U.S. state	(5,074)	3,393
Total deferred (benefit) provision	(32,604)	23,676
Total current and deferred provision	$ 159,229	$ 67,558

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

	Year Ended March 31,	
	2019	**2018**
Income before income tax	$ 125,821	$ 82,155
Statutory tax rate	21.00 %	31.55 %
Income tax provision at statutory rate	26,422	25,918
U.S. state tax provision	8,381	6,256
	34,803	32,174
Increase in income tax provision resulting from:		
Non-deductible expenses and other	18,953	34,105
Tax law rate change	—	1,279
Foreign withholding taxes	105,473	—
Income tax provision	$ 159,229	$ 67,558

The Tax Cuts and Jobs Act ("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 TCJA.

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 its fiscal year ended March 31, 2018. The Company accounted these changes in its deferred tax accounts during the fiscal year ended March 31, 2018. The Company for its current income tax accounts is using the 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 $17,571 and $30,191 for the years ended March 31, 2019 and 2018, respectively, are reflected in the income tax expense due to the non-deductibility of those expenses.

The Company provides various oversight and management services to its foreign affiliates, including Medquimica. The Company receives payments for these service net of foreign withholding taxes submitted to the country of Brazil. The foreign withholding taxes of $105,473 for the year ended March 31, 2019, is a significant portion of the Company's effective income tax rate of 126.55%.

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, 2019		March 31, 2018	
Deferred tax assets:				
Accrued payroll related liabilities	$	37,083	$	24,422
Other		1,002		834
Total net deferred tax assets		38,085		25,256
Deferred tax liabilities:				
Prepaid expenses		7,504		26,666
Other		—		613
Total net deferred tax liabilities		7,504		27,279
Net deferred tax assets (liabilities)	$	30,581	$	(2,023)

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 returns 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 5. 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)
- Lupin Research Inc. (LRI) (Sister Company)

Transactions, which take place at an arm's length, between entities range from advisory services, expense reimbursement, capital contributions, dividend payments, short-term borrowing and management fees.

The following represents related party sales:

	Year Ended March 31,			
	2019		2018	
Sales to LL	$	962,535	$	1,166,853
Sales to Medquimica		847,054		761,434
Sales to Laboratories Grin		853,318		935,723
Related party sales	$	2,662,907	$	2,864,010

The following represents related party purchases:

	Year Ended March 31,	
	2019	2018
Purchases from LL	$ 83,672	$ 95,698
Purchases from LI	336,001	945,811
Purchases from LPI	16,730	5,499
Purchases from LRI	4,208	—
Purchases from LAHSA	9,429	—
Purchases from Medquimica	—	194,350
Purchases from Laboratories Grin	—	34,271
Related party purchases	$ 450,040	$ 1,275,629

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

	March 31, 2019	March 31, 2018
Due from LL	$ 219,805	$ 341,219
Due from Medquimica	211,009	67,108
Due from Laboratories Grin	217,254	278,357
Intercompany receivables	$ 648,068	$ 686,684

	March 31, 2019	March 31, 2018
Due to LL	$ 24,085	$ 17,436
Due to LAHSA	9,429	9,119
Due to LI	145,269	293,897
Due to LPI	3,858	3,539
Intercompany payables	$ 182,641	$ 323,991

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 $9,429 and $9,119 for the years ended March 31, 2019 and 2018, respectively.

Note 6. 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 years ended March 31, 2019 and 2018, the Company made matching contributions of $35,430 and $22,810, respectively.

Note 7. 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 April 26, 2019 that require adjustment to or disclosure in the Company’s financial statements.