LUPIN
LATAM

LUPIN LATAM, INC.

Financial Statements
As of March 31, 2017 and for the period from inception (January 1, 2017) through March 31, 2017

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KPMG

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, 2017, and the related statements of operations, changes in stockholder's equity, and cash flows for the period from inception (January 1, 2017) through 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lupin Latam, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the period from inception (January 1, 2017) through March 31, 2017 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 18, 2017

LUPIN LATAM, INC.
BALANCE SHEET

		March 31, 2017
ASSETS		
Current assets:		
Intercompany receivables	$	897,230
Prepaid expenses and other current assets		10,834
Total current assets		908,064
Property, plant and equipment, net		5,079
Deferred income taxes		21,653
Total assets	$	934,796
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accrued expenses	$	197,958
Income taxes payable		60,821
Intercompany payables		639,851
Total current liabilities		898,630
Other liabilities		31,050
Total liabilities		929,680
Stockholder's equity:		
Common stock		1
Retained earnings		5,115
Total stockholder's equity		5,116
Total liabilities and stockholder's equity	$	934,796

See accompanying notes to financial statements.

(Continued)

LUPIN LATAM, INC.
STATEMENT OF OPERATIONS

		For the period from inception (January 1, 2017) through March 31, 2017
Service revenue	$	897,229
Cost of revenue		852,946
Income from operations		44,283
Income tax expense		39,168
Net income	$	5,115

See accompanying notes to financial statements.

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

	Common Stock, $0.001 Par Value			
	Shares	Amount	Retained Earnings	Total Stockholder's Equity
Balance at January 1, 2017	—	$ —	$ —	$ —
Capital contributions	1,000	1	—	1
Net income	—	—	5,115	5,115
Balance at March 31, 2017	1,000	$ 1	$ 5,115	$ 5,116

See accompanying notes to financial statements.

(Continued)

LUPIN LATAM, INC.
STATEMENT OF CASH FLOWS

	For the period from inception (January 1, 2017) through March 31, 2017
Operating activities:	
Net income	$ 5,115
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation of property, plant and equipment	671
Deferred income taxes	(21,653)
Changes in operating assets and liabilities:	
Intercompany receivables	(897,230)
Prepaid expenses and other assets	(10,834)
Accrued expenses and other liabilities	229,008
Intercompany payables	639,851
Income taxes payable	60,822
Net cash provided by operating activities	5,750
Investing activities:	
Purchase of property, plant and equipment	(5,750)
Net cash used in investing activities	(5,750)
Net change in cash and cash equivalents	—
Cash and cash equivalents—beginning of period	—
Cash and cash equivalents—end of period	$ —

See accompanying notes to financial statements.

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.

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.

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 statement 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. As of March 31, 2017, the Company does not have any uncertain tax positions.

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 its financial statements and disclosures as well as the transition method that they 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.

Note 3. Property, Plant and Equipment, net

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

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

Depreciation expense was $671 for the three months ended March 31, 2017.

Note 4. Accrued Expenses

Accrued expenses consist of the following:

		March 31, 2017
Payroll and benefits	$	35,532
Bonus and incentives		87,563
General and administrative expenses		74,863
Accrued expenses	$	197,958

Note 5. Income Taxes

The Company's income before income taxes was $44,283 for the period ended March 31, 2017, and was generated entirely in the United States.

Income tax expense consists of:

		For the period from inception (January 1, 2017) through March 31, 2017
Current provision:		
U.S. federal	$	52,149
U.S. state		8,672
Total current provision		60,821
Deferred benefit:		
U.S. federal		(19,646)
U.S. state		(2,007)
Total deferred benefit		(21,653)
Total current and deferred provision	$	39,168

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

		For the period from inception (January 1, 2017) through March 31, 2017
Income before income tax	$	44,283
Statutory tax rate		35%
Income tax provision at statutory rate		15,499
U.S. state tax provision		3,630
		19,129
Increase in income tax expense resulting from:		
Non-deductible expenses and other		20,039
Income tax expense	$	39,168

The Company's global parent company, Lupin Limited, provides for a Lupin Subsidiary Companies Employees Stock Option Plan (ESOP) for some of its key employees. The Company was allocated these expenses. The tax effect of the ESOP for the current period is reflected in 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, 2017
Deferred tax assets:		
Accrued payroll related liabilities	$	25,684
Other		259
Total net deferred tax assets	$	25,943
Deferred tax liabilities:		
Prepaid expenses	$	4,179
Other		111
Total net deferred tax liabilities		4,290
Net deferred tax asset	$	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. Furthermore, the Company has adopted ASU No. 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* to classify its deferred tax asset/liability as non-current asset/liability on its balance sheet.

The Company will file its first corporate income tax returns in the United States, and in the state of Florida, for this current period. 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.

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:

	For the period from inception (January 1, 2017) through March 31, 2017
Sales to LL	$ 563,864
Sales to Medquimica	129,347
Sales to Laboratories Grin	204,018
Related party sales	$ 897,229

The following represents related party purchases:

	For the period from inception (January 1, 2017) through March 31, 2017
Purchases from LI	$ 599,832
Purchases from LPI	16,794
Purchases from Medquimica	10,952
Purchases from Laboratories Grin	12,273
Related party purchases	$ 639,851

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

	March 31, 2017
Due from LL	$ 563,864
Due from LAHSA	1
Due from Medquimica	129,347
Due from Laboratories Grin	204,018
Intercompany receivables	$ 897,230

	March 31, 2017
Due to LPI	$ 16,794
Due to LI	599,832
Due to Medquimica	10,952
Due to Laboratories Grin	12,273
Intercompany payables	$ 639,851

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 period from inception (January 1, 2017) through March 31, 2017, the Company made matching contributions of $10,907.

Note 8. Subsequent Events

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

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