Novel Laboratories, Inc.

Financial Statements
As of and For the Year Ended
March 31, 2017

TABLE OF CONTENTS

KPMG

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

Independent Auditors' Report

The Board of Directors and Stockholders
Novel Laboratories, Inc.:

We have audited the accompanying financial statements of Novel Laboratories, 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 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 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 Novel Laboratories, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 18, 2017

NOVEL LABORATORIES, INC.
BALANCE SHEET

		March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,649,525
Accounts receivable		1,659,025
Affiliate accounts receivable		10,657,261
Intercompany receivables		91,700
Intracompany receivables		22,870,194
Other receivables		1,362,430
Inventories, net		12,719,207
Prepaid expenses and other current assets		903,118
Total current assets		52,912,460
Property, plant and equipment, net		60,004,091
Goodwill		21,808,715
Intangible assets, net		37,445,973
Total assets	$	172,171,239
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$	2,628,731
Accrued expenses		8,249,684
Intercompany payables		567,011
Intracompany payables		53,386,903
Income taxes payable		368,400
Total current liabilities		65,200,729
Deferred income taxes		17,761,785
Total liabilities		82,962,514
Commitments and contingencies		
Stockholder's equity:		
Common stock		1
Additional paid-in capital		91,764,936
Accumulated deficit		(2,556,212)
Total stockholder's equity		89,208,725
Total liabilities and stockholder's equity	$	172,171,239

See accompanying notes to financial statements.

NOVEL LABORATORIES, INC.
STATEMENT OF OPERATIONS

		Year Ended March 31, 2017
Product revenues	$	47,713,883
Research and development service revenues		31,625,419
Profit sharing revenues		7,273,191
Total revenues		86,612,493
Costs and expenses:		
Cost of product revenues		54,291,568
Cost of research and development service revenues		28,750,379
Selling, general and administrative		11,021,167
Loss from operations before income tax		(7,450,621)
Income tax benefit		5,746,383
Net loss	$	(1,704,238)

See accompanying notes to financial statements

NOVEL LABORATORIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Stock, $0.0001 Par Value		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balance at April 1, 2016	11,000	$ 1	$ 91,764,936	$ (851,974)	$ 90,912,963
Net loss	—	—	—	(1,704,238)	(1,704,238)
Balance at March 31, 2017	11,000	$ 1	$ 91,764,936	$ (2,556,212)	$ 89,208,725

See accompanying notes to financial statements.

NOVEL LABORATORIES, INC.
STATEMENT OF CASH FLOWS

		Year Ended March 31, 2017
Operating activities:		
Net loss	$	(1,704,238)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment		4,291,848
Loss on disposal of property and equipment		40,836
Amortization of intangible assets		4,190,000
Deferred income taxes		(4,333,172)
Change in inventory provision		4,197,756
Changes in operating assets and liabilities:		
Accounts receivable		(2,202,032)
Intercompany/intracompany receivables		(206,811)
Inventory		(2,980,450)
Prepaid expenses and other assets		(262,414)
Accounts payable		(1,542,813)
Accrued expenses		372,914
Intercompany/intracompany payables		15,603,003
Income taxes payable		2,147,056
Net cash provided by operating activities		17,611,483
Investing activities:		
Purchase of property, plant and equipment		(16,643,600)
Proceeds from sale of property, plant and equipment		399,787
Net cash used in investing activities		(16,243,813)
Net increase in cash and cash equivalents		1,367,670
Cash and cash equivalents—beginning of period		1,281,855
Cash and cash equivalents—end of period	$	2,649,525
SUPPLEMENTAL INFORMATION		
Accrual for purchases of property, plant and equipment	$	272,668
Taxes paid	$	95,000

See accompanying notes to financial statements.

NOVEL LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Organization and Description of the Business

Novel Laboratories, Inc. (Novel), a Delaware "C" corporation, and its former sister companies, Gavis Pharmaceuticals, LLC is), and VGS Holdings, Inc. (VGS) were acquired by Lupin Inc. (LI), a U.S. operating company, in March 2016 (the Gavis sition). The Company is a consolidated subsidiary of Lupin Limited, the ultimate parent company. During the fiscal year ended h 31, 2017, Novel merged with VGS. The transaction was accounted for as a common control transaction using the pooling of st method as of April 1, 2016. VGS was previously consolidated into Novel as a variable interest entity for financial statement oses. The Company is engaged in custom research and development, formulation, manufacturing of solid, liquid and semi-solid e forms of pharmaceutical products. Novel conducts its business activities primarily for Lupin Atlantis Holdings SA (LAHSA), filiate of LI and Novel.

Summary of Significant Accounting Policies

s of Presentation

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

of Estimates

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

enue Recognition

Product revenues

Our net product sales consist of revenues from sales of our pharmaceutical products, less estimates for returns and allowances ell as fees for services. We recognize revenue for product sales when title and risk of loss has passed to the customer, which is ally upon delivery to the customer and when collectability is reasonably assured. Sales to LAHSA are based on annually leted transfer pricing studies.

Research and development service revenues

Revenues from research services are recognized as earned in accordance with the contract terms when services have been rmed and collectibility is reasonably assured.

Profit sharing revenues

Profit sharing revenues are recognized as product revenues occur. Profit sharing revenues are based on contractual ments with entities that stipulate a percentage on gross profits of product sales that will be received by the Company.

Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest.

h and Cash Equivalents

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

rcompany, Intracompany and Affiliate Receivables and Payables

Affiliate receivables and payables represent balances due to and due from related parties which are brother/sister entities in the Lupin Limited corporate structure. Intercompany receivables and payables represent balances due to and due from the pany's direct parent (LI) and its subsidiaries within the Lupin Limited corporate structure. Affiliate receivables represent balances from LAHSA.

entories, net

Inventories, net are valued at the lower of cost or market. The cost of all work in process and finished goods inventories is rmined using standard costing which approximates the first-in, first-out (FIFO) method. Raw materials are recognized through hted average costing. Inventories consist of currently marketed products, as well as certain inventories produced in preparation roduct launches that are considered to have a high probability of regulatory approval. In evaluating the recoverability of ntories produced in preparation for product launches, the Company considers the likelihood that revenue will be obtained from the re sale of the related inventory together with the status of the product within the regulatory approval process.

perty, Plant and Equipment, net

As part of the acquisition of Gavis, property, plant and equipment were recorded at fair value on March 8, 2016 in rdance with ASC 805, *Business Combinations*. Additions subsequent to this date are recorded at cost. Property, plant and pment are depreciated using the straight-line method over the estimated useful lives of the assets, which are generally five to forty s. Maintenance and repairs are expensed as incurred. Upon disposal, retirement, or sale, the related cost and accumulated eciation is removed from the accounts and any resulting gain or loss is included in the results of operations.

ngible Assets

Goodwill

Goodwill relates to amounts that arose in connection with the Gavis acquisition in March 2016. Goodwill represents the ss of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of unting for business combinations. Goodwill is not amortized but is evaluated for impairment on an annual basis, in the fourth ter, or more frequently if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of the pany's reporting unit below its carrying amount.

Intangible Assets, net

Intangible assets relate to acquired Abbreviated New Drug Applications (ANDAs) that arose in connection with the Gavis isition in March 2016. Intangible assets, net are amortized using the straight-line method over the estimated useful lives of the ts, which are generally ten years. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

me Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes g an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax equences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are mined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in t for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of able 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 ions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be zed. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the osition as well as consideration of the available facts and circumstances.

earch and Development Expenses

Research and development costs are charged to expense as incurred. These costs include, but are not limited to, loyee-related expenses, including salaries, benefits, and travel as well as expenses related to third-party collaborations and tact research agreements; expenses incurred under agreements with contract research organizations and investigative sites that luct preclinical and clinical studies; the cost of acquiring, developing and manufacturing clinical trial materials; facilities, eciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and r supplies; and costs associated with preclinical and clinical activities and regulatory operations.

centration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash valents. At March 31, 2017, the Company's cash and cash equivalents were held by one financial institution and the amounts on osit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its sured cash in a major well capitalized financial institution. The Company has not recognized any losses on its cash and cash valents. Concentrations of credit risk with respect to total accounts receivable are concentrated within LAHSA (a related party), h make up 87% of the total accounts receivable balance at March 31, 2017 and 83% of the revenue for the year ended March 31, 7.

ent Accounting Pronouncements

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

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying of the Measurement of Inventory*. The dard requires inventory to be measured at the lower of cost or net realizable value. The new guidance defines net realizable value e estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and sportation. This definition is consistent with existing authoritative guidance. Current guidance requires inventory to be measured at ower of cost or market where market could be replacement cost, net realizable value or net realizable value less an approximately nal profit margin. The guidance is effective for periods beginning after December 15, 2016 with early adoption permitted. The ance is required to be applied prospectively. The Company does not expect that this guidance will have a significant impact on financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires lessees to gnize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective iscal years beginning after December 15, 2019, including interim periods within those fiscal years beginning after December 15,). Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into , the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact the dard may have on the Company's financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash ipts and Cash Payments* (ASU 2016-15), which amended the existing accounting standards for the statement of cash flows by iding guidance on eight classification issues related to the statement of cash flows. ASU 2016-15 will be effective in fiscal years nning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. The ndments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the ndments may be applied prospectively as of the earliest date practicable. The Company is currently in the process of assessing the ict of ASU 2016-15 on the Company's financial statements and related disclosures.

e 3. Inventories, net

Inventories, net consist of:

	March 31, 2017
Raw materials	$ 15,569,265
Work in process	1,645,415
Finished goods	1,312,895
	18,527,575
Less: valuation reserve	(5,808,368)
Inventories, net	$ 12,719,207

e 4. Property, Plant and Equipment, net

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

	March 31, 2017
Land	$ 3,740,000
Buildings	25,035,697
Equipment, vehicles and other	20,892,242
Machinery and equipment	22,870,782
Furniture and fixtures	927,460
Leasehold improvements	1,623,496
Construction in process	8,289,862
	64,576,539
Less: accumulated depreciation	(4,572,448)
Property, plant and equipment, net	$ 60,004,091

Depreciation expense was $4,291,848 for the year ended March 31, 2017.

e 5. Goodwill and Other Intangible Assets, net

Goodwill

The table below provides a roll-forward of the goodwill balance:

Goodwill balance at April 1, 2016	$ 21,808,715
Fiscal 2017 activity	—
Goodwill balance at March 31, 2017	$ 21,808,715

Other Intangibles

Intangible assets, net consist of the following at March 31, 2017:

	Estimated Useful Life Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
ANDAs	10	$ 41,900,000	$ (4,454,027)	$ 37,445,973

Amortization expense was $4,190,000 for the year ended March 31, 2017.

The approximate estimated future amortization expense at March 31, 2017 is as follows:

	Year ending March 31,
2018	$ 4,190,000
2019	4,190,000
2020	4,190,000
2021	4,190,000
2022	4,190,000
Thereafter	16,495,973
	$ 37,445,973

NOVEL LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

e 6. Accrued Expenses

Accrued expenses consist of the following:

		March 31, 2017
Goods received not vouchered	$	1,408,730
Payroll and benefits		1,652,416
Bonus and incentives		3,117,560
Research and development expenses		590,494
General and administrative expenses		953,548
Utilities and repairs		526,936
Accrued expenses	$	8,249,684

e 7. Commitments and Contingencies

erating Leases

The Company leases office premises and various office equipment. Rent expense under operating leases for the year ended ch 31, 2017 was $427,309. The Company recognizes expenses for leases on a straight line basis.

Future minimum lease payments as of March 31, 2017 are as follows:

Fiscal 2018	$	373,079
Fiscal 2019		282,366
Fiscal 2020		—
Fiscal 2021		—
Fiscal 2022		—
Thereafter		—
	$	655,445

e 8. Income Taxes

The Company's loss before income taxes was $7,450,621 for the twelve months ended March 31, 2017, and was generated ely in the United States.

Income tax benefit consists of:

		Year Ended March 31, 2017
Current benefit:		
U.S. federal	$	(2,566,350)
U.S. state and local		(362,960)
Total current benefit		(2,929,310)
Deferred benefit:		
U.S. federal		(1,683,188)
U.S. state and local		(1,133,885)
Total deferred benefit		(2,817,073)
Total current and deferred benefit	$	(5,746,383)

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax ome as a result of the following:

		Year Ended March 31, 2017
Loss before income tax	$	(7,450,621)
Statutory tax rate		35 %
Income tax benefit at statutory rate		(2,607,718)
U.S. state tax benefit		(179,541)
		(2,787,256)
Decrease (increase) in income tax benefit resulting from:		
Nondeductible expenses		55,885
Business Enterprise Incentive Program grant		(188,581)
State decoupling modification		(256,778)
R&D tax credits (net of reserve)		(2,552,151)
Other adjustments		(17,502)
Income tax benefit	$	(5,746,383)

The Company's effective tax rate is primarily driven by the Company's research and development tax credits. The Company ognized approximately $4,067,000 of research and development tax credits. The Company is also recognizing an ASC 740-10 rve of approximately 29% against the total credits resulting in a net research and development credit of approximately $2,600,000. Company calculated the reserve based upon the potential deniability of those expenditures as qualified research expenditures. The assessment included assignment of levels of risks associated with each component of the expenditures based upon their R&D vities. The Company will re-assess this reserve on an annual basis and adjust the reserve, if necessary.

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and ome tax purposes. A significant component of the Company's deferred tax assets is related to the state of New Jersey research and elopment tax credits, stock option settlement, as well as the Business Employment Incentive Program from the state of New ey. The Company signed an agreement with the state of New Jersey on June 15, 2016 to convert its state grant to tax credits to et future New Jersey state tax liabilities. The Company will begin to realize these tax credits for the fiscal year ending March 31, 8.

The temporary differences that give rise to significant portions of the deferred tax liabilities at March 31, 2017 are related to gible property (principally due to differences in depreciation), as well as intellectual property amortization related to the acquisition he Company by its US parent company, Lupin, Inc.

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based he Company's history of taxable income since inception, the Company has concluded that it is more likely than not that the benefit s deferred tax assets will be realized for these reasons: (1) The Company is in a net deferred tax liability position, which is lence that it will have future taxable profits when these deferred tax liabilities reverse for tax purposes; (2) the Company believes the current year loss is an exception to the Company's historical profitability; (3) the Company, as a contract manufacturer, has tracts in place with a cost plus margin that will realize a profit in future periods; and (4) the Company is consolidated for federal porate income tax purposes with one of its affiliates, Lupin Pharmaceuticals, Inc., which is a profitable entity. Accordingly, the npany has not placed any valuation allowance on its deferred tax assets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities of:

		March 31, 2017
Deferred tax assets:		
Inventory reserve	$	1,393,790
Business Enterprise Incentive Program (BEIP) grant, net		798,930
Capitalized inventory costs		316,859
NJ R&D credit		920,259
State decoupling modification		256,778
Other		233,156
Total net deferred tax assets	$	3,919,772
Deferred tax liabilities:		
Intellectual property amortization	$	15,583,880
Depreciation		5,849,538
Other		248,139
Total net deferred tax liabilities	$	21,681,557
Net deferred tax liability	$	17,761,785

The Company files income tax returns in the United States, and various state jurisdictions. The federal and state income tax urns are generally subject to tax examinations for the tax year ended March 31, 2014 and succeeding tax years. To the extent the mpany has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by Internal Revenue Service or state tax authorities to the extent utilized in a future period.

te 9. Related Party Transactions

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

Companies where control exists:

- Lupin Limited (LL) (Ultimate Parent Company)
- LAHSA (Parent Company)
- LI (Direct Parent Company)

Other Related Parties having transactions with the Company's fellow subsidiaries:

- Lupin GmbH
- Gavis Pharmaceuticals, LLC (Gavis)
- Lupin Pharma Canada Limited
- Hormosan Pharma GmbH (GmbH)

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

The following represents related party sales (including product revenues and research and development service revenues):

	Year Ended March 31, 2017
Sales to LI	$ 119,956
Sales to LAHSA	72,113,802
Related party sales	$ 72,233,758

The following represents related party purchases:

	Year Ended March 31, 2017
Purchases from LL	$ 361,395
Purchases from Gavis	41,428
Related party purchases	$ 402,823

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

	March 31, 2017
Due from LL	$ 86,584
Due from GmbH	5,116
Intercompany receivables	$ 91,700

	March 31, 2017
Due from LI	$ 5,477,125
Due from LPI	99,915
Due from Gavis	17,293,154
Intracompany receivables	$ 22,870,194

	March 31, 2017
Due to LL	$ 361,395
Due to GmbH	205,616
Intercompany payables	$ 567,011

	March 31, 2017
Due to LPI	$ 2,459,664
Due to LI	21,065,351
Due to Gavis	29,861,888
Intracompany payables	$ 53,386,903

te 10. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions, which are not to exceed tutory limits. Employer matching contributions are equal to 100% of the first 3%, and 50% of the second 3% of employee ıtributions. For the year ended March 31, 2017, the Company made matching contributions of $772,060.

te 11. Subsequent Events

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