LUPIN
LATAM

LUPIN LATAM, INC.

Financial Statements

As of and for the Years Ended

March 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Lupin Latam, Inc.
Naples, Florida

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, 2021 and 2020, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 26, 2021

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LUPIN LATAM, INC.
BALANCE SHEETS

	March 31, 2021	March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 446,524	$ 417,592
Intercompany receivables	716,556	948,429
Prepaid expenses and other current assets	27,485	25,669
Income taxes receivable	145,858	—
Total current assets	1,336,422	1,391,690
Property, plant, and equipment, net	1,089	2,175
Other assets	5,000	—
Deferred tax assets	54,181	52,206
Total assets	$ 1,396,692	$ 1,446,071
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 4,035	$ 5,090
Accrued expenses	377,252	637,612
Income taxes payable	—	45,893
Intercompany payables	366,585	96,582
Intercompany debt	—	225,000
Total current liabilities	747,872	1,010,177
Intercompany long term debt	—	—
Other liabilities	125,245	153,820
Total liabilities	873,117	1,163,997
Stockholder's equity:		
Common stock	1	1
Additional paid-in capital	300,000	200,000
Retained earnings	223,574	82,073
Total stockholder equity	523,575	282,074
Total liabilities and stockholder equity	$ 1,396,692	$ 1,446,071

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF OPERATIONS

	Year Ended Mar 31,	
	2021	**2020**
Service revenue	$ 1,788,390	$ 3,200,571
Operating expenses	1,697,267	3,039,738
Income from operations	91,123	160,833
Interest expense, net	3,399	8,859
Income from operations before income tax	87,724	151,974
Income tax expense (benefit)	(53,776)	56,205
Net Income	$ 141,500	$ 95,769

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 March 31, 2019	1,000	$ 1	$ 200,000	$ (13,696)	$ 186,305
Net income	—	—	—	95,769	95,769
Balance at March 31, 2020	1,000	$ 1	$ 200,000	$ 82,073	$ 282,074
Net income	—	—	—	141,500	141,501
Capital contributions			100,000	—	100,000
Balance at March 31, 2021	1,000	$ 1	$ 300,000	$ 223,574	$ 523,575

See accompanying notes to financial statements.

LUPIN LATAM, INC.
STATEMENTS OF CASH FLOWS

	Year Ended March 31,	
	2021	**2020**
Operating activities:		
Net Income	$ 141,500	$ 95,769
Adjustments to reconcile net income(loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	1,086	1,087
Deferred income taxes	(1,975)	(21,625)
Changes in operating assets and liabilities:		
Intercompany receivables	231,874	(300,361)
Prepaid expenses and other assets	(6,816)	4,497
Accounts payable	(1,055)	(56,938)
Accrued expenses and other liabilities	(288,934)	206,438
Intercompany payables	270,003	(86,059)
Income taxes receivable/payable	(191,751)	6,930
Net cash (used in) provided by operating activities	153,932	(150,262)
Investing activities		
Purchase of property, plant and equipment	—	(3,260)
Net cash used in investing activities	—	(3,260)
Financing activities		
Capital Contributions	100,000	—
Repayment of intercompany debt	(225,000)	(75,000)
Net cash used in financing activities	(125,000)	(75,000)
Net change in cash and cash equivalents	28,932	(228,522)
Cash and cash equivalents—beginning of period	417,592	646,114
Cash and cash equivalents—end of period	$ 446,524	$ 417,592
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 3,466	$ 18,327
Cash paid for taxes	$ 139,950	$ 70,900

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), Medquimica Industria Farmaceutica Ltda, Brazil (Medquimica), Multicare Pharmaceuticals Inc., Philippines, Generic Health Pty Ltd (Generic) and Lupin Pharma Canada Ltd. Canada,. 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).

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'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, 2021 and 2020, respectively, the Company did not have any uncertain tax positions.

Risks and Uncertainties

Impact of Coronavirus Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Company is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as it is still developing. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial/temporary may impact various parts of our business operations and the financial results of the Company.

Recent Accounting Pronouncements

Recently issued accounting pronouncements, not yet adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impacts of the adoption of this guidance on its consolidation balance sheet, statements of operations and cash flows.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Company as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Company has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on our consolidated balance sheets, statements of operations, or cash flows.

Note 3. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2021		March 31, 2020	
Payroll and benefits	$	41,126	$	53,381
Bonus and incentives		263,250		504,156
Other expenses		72,876		80,075
Accrued expenses	$	377,252	$	637,612

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 $87,724 and $151,974 for the years ended March 31, 2021 and 2020, respectively, and were generated entirely in the United States.

Income tax provision (benefit) consists of:

	Year Ended March 31,			
	2021		2020	
Current provision:				
U.S. federal	$	(43,638)	$	62,898
U.S. state		(15,114)		14,932
Foreign		—		—
Total current provision		(58,752)		77,830
Deferred tax benefit:				
U.S. federal		—		(18,477)
U.S. state		4,976		(3,148)
Total deferred tax benefit		4,976		(21,625)
Total current and deferred provision	$	(53,776)	$	56,205

Income tax provision (benefit) differed from the amounts computed by applying the U.S. federal income tax rate of 21.00% to pretax income as a result of the following:

	Year Ended March 31,			
	2021		2020	
Income before income tax	$	87,724	$	151,974
Statutory tax rate		21.00 %		21.00 %
Income tax provision at statutory rate		18,422		31,915
U.S. state tax provision		(6,964)		8,648
		11,458		40,563
Increase in income tax expense resulting from:				
Non-deductible expenses and other		(3,069)		15,642
Net Operating Loss		(30,515)		
Foreign withholding taxes		(31,651)		—
Income tax expense	$	(53,776)	$	56,205

The significant items in the reconciliation of the income tax expense (benefit) consisted of state income taxes, federal income tax benefit for net operating loss (NOL) carryback, and a one-time income tax benefit for foreign withholding taxes.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act). The CARES Act provides for a five-year NOL carryback for corporate NOLs incurred during tax years beginning before 2021. Since the Company has an NOL in fiscal year ended March 31, 2021, the Company is entitled to carryback its NOL to fiscal years ended March 31, 2017, 2018 and 2019. Furthermore, on December 22, 2017 the U.S. enacted the Tax Cuts and Jobs Act, which included a U.S. corporate tax rate reduction from 35% to 21% effective for tax years beginning January 1, 2018. The Company has reflected the corporate rate change of $30,515 from the NOL carryback for fiscal years ended March 31, 2017 and 2018 in its income tax benefit of $53,776 in the year ended March 31, 2021.

The Company provides various oversight and management services to its foreign affiliates, including Medquímica. Prior to the year ended March 31, 2020, the Company received payments for these services net of foreign withholding taxes submitted to the country of Brazil. The Company is no longer subject to foreign withholding taxes. As a result, the Company has reflected the income tax benefit of $31,651 for the foreign withholding taxes previously payable from the year ended March 31, 2020 in its income tax benefit for the year March 31, 2021.

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:

	Year Ended March 31, 2021			
	2021		**2020**	
Deferred tax assets:				
Accrued payroll related liabilities	$	48,317	$	58,115
Net operating loss		11,926		—
Other		559		690
Total net deferred tax assets		60,802		58,805
Deferred tax liabilities:				
Prepaid expenses		6,603		6,353
Other		18		246
Total net deferred tax liabilities		6,621		6,599
Net deferred tax assets (liabilities)	$	54,181	$	52,206

The Company has assessed the positive and negative evidence bearing upon the realizability of its deferred tax assets. This assessment included the evaluation of cumulative earnings and losses in recent years, scheduled reversals of net deferred tax liabilities, the availability of carry back and forwards of NOLs, and any applicable available tax planning strategies.

The Company has cumulative earnings since its inception of fiscal year ended March 31, 2017, including a pre-tax book net income in the current year. Therefore, the Company believes it will realize its net deferred tax asset of $54,181 in future periods, and does not believe a valuation allowance of its deferred tax assets is necessary.

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:

- Lupin Limited (LL) (Parent Company)
- Lupin Atlantis Holdings, S.A (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)
- Lupin Management Inc.(LMI) (Sister Company)
- Multicare Pharmaceuticals Inc., Philippines (Multicare) (Sister Company)
- Generic Health Pty Ltd (Generic) (Sister Company)
- Lupin Pharma Canada Ltd., Canada (LPCL) (Sister Company)

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

The following represents service revenues from related parties:

	Year Ended March 31,			
	2021		2020	
Service revenues from LL		683,440	$	1,021,848
Service revenues from Medquimica		373,875		1,080,820
Service revenues from Laboratories Grin		387,204		1,097,903
Service revenues from Generic		194,681		—
Service revenues from Multicare		149,190		—
Service revenues from Related parties		1,788,390	$	3,200,571

The following represents related party purchases:

	Year Ended March 31,			
	2021		2020	
Purchases from LI		353,320		322,720
Purchases from LL	$	15,322	$	133,179
Purchases from Medquimica		—		60,962
Purchases from LPCL		111,092		
Purchases from LPI		33,536		27,225
Purchases from LAHSA		6,971		8,859
Related party purchases	$	520,241	$	552,945

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

	March 31, 2021		March 31, 2020	
Due from LL	$	185,750	$	351,638
Due from Medquimica		64,451		333,994
Due from Laboratories Grin		308,971		262,758
Due from LAHSA		—		39
Due from Multicare		89,545		—
Due from LMI		565		—
Due from Generic Health		67,274		—
Intercompany receivables	$	716,556	$	948,429

	March 31, 2021		March 31, 2020	
Due to Medquimica	$	-	$	57,959
Due to LL		46,707		21,022
Due to LI		278,596		16,358
Due to LPI		2,098		1,243
Due to LPCL		39,184		—
Intercompany payables	$	366,585	$	96,582

On April 13, 2017, the Company entered into a loan agreement with LAHSA for $300,000. The Company incurred losses from operations and a working capital deficit during the current year, requiring capital contributions of $100K from its parent, LASHA .The Company utilized the funds received from LAHSA to pay off the loan .The loan matured and the Company made payments of $225,000 for the outstanding amount during the year ended March 31, 2021. Interest is accrued on the loan at the effective rate of 3.1%. The Company incurred interest expense of $3,505 and $8,859 for the years ended March 31, 2021 and 2020 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, 2021 and 2020, the Company made matching contributions of $41,025 and $52,024, 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, 2021 that require adjustment to or disclosure in the Company's financial statements.