LUPIN INC. AND SUBSIDIARIES

Consolidated Financial Statements
As of and for the Years Ended
March 31, 2022 and 2021

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Independent Auditors' Report

The Board of Directors
Lupin Inc. and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Lupin Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the *Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baltimore, Maryland
May 10, 2022

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2022	March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,641	$ 21,266
Accounts receivable, net	361,686	427,891
Intercompany receivables	19,259	12,904
Inventories	140,144	145,429
Income taxes receivable	2,948	3,095
Prepaid expenses and other current assets	10,636	16,192
Total current assets	556,314	626,777
Property, plant and equipment, net	68,581	62,584
Goodwill	95,089	95,089
Intangible assets, net	52,506	195,680
Other assets	23,998	15,130
Total assets	$ 796,488	$ 995,260
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 22,497	$ 29,518
Accrued expenses	47,192	33,688
Intercompany payables	214,727	297,516
Intercompany payable -other	45,000	—
Income taxes payable	4,527	4,543
Short-term debt	350,000	583,300
Other current liabilities	68,562	69,602
Total current liabilities	752,505	1,018,167
Intercompany note payable	30,000	—
Other liabilities	33,149	44,447
Series A mandatorily redeemable preferred stock	280,000	280,000
Total liabilities	1,095,654	1,342,614
Stockholder's deficit:		
Common stock	811,000	577,000
Additional paid-in capital	230,050	230,350
Accumulated deficit	(1,344,127)	(1,157,895)
Total Lupin Inc. stockholder's deficit	(303,077)	(350,545)
Noncontrolling interest	3,911	3,191
Total stockholder's deficit	(299,166)	(347,354)
Total liabilities and stockholder's deficit	$ 796,488	$ 995,260

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands*)

	Year Ended March 31,	
	2022	**2021**
Product revenues	$ 702,767	712,013
Service and other revenues	22,510	30,940
Profit sharing revenues	1,489	1,317
Total revenues	726,766	744,270
Costs and expenses:		
Cost of product revenues	574,686	596,957
Cost of service and other revenues	19,972	27,150
Selling, general and administrative	112,770	124,713
Research and development	67,246	22,936
Intangible asset impairment charges	125,697	581
Gain on legal settlement	—	(10,250)
Legal expense reimbursement	—	(5,504)
Loss from operations	(173,605)	(12,313)
Interest expense, net	13,465	24,942
Other income, net	(2,602)	(2,617)
Loss from operations before income taxes	(184,468)	(34,638)
Provision for income taxes	947	765
Net Loss	(185,415)	(35,403)
Less: net income attributable to noncontrolling interest	720	683
Net Loss attributable to Lupin Inc.	$ (186,135)	$ (36,086)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(*in thousands*)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholder's Deficit
	Shares	Amount				
Balance at April 1, 2021	57,700	$ 577,000	230,350	(1,157,895)	3,191	(347,354)
Common stock issued	23,400	234,000	—	—	—	234,000
Net loss attributable to Lupin Inc.	—	—	—	(186,135)	—	(186,135)
Net income attributable to noncontrolling interests	—	—	—	—	720	720
Capital distribution	—	—	(300)	(97)		(397)
Balance at March 31, 2022	81,100	811,000	230,050	(1,344,127)	3,911	(299,166)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(*in thousands*)

	Year Ended March 31	
	2022	**2021**
Operating activities:		
Net loss	$ (185,415)	$ (35,403)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	9,066	10,314
Amortization of intangible assets	17,476	22,112
Amortization of operating lease right-of-use assets	2,140	3,231
Provision for doubtful accounts	(2,465)	5,234
Change in inventory provision	932	2,379
Amortization of debt issuance costs	60	750
Intangible asset impairment charges	125,697	581
Changes in operating assets and liabilities:		
Accounts receivable	68,670	138,101
Intercompany receivables	(6,354)	7,180
Inventory	4,353	(28,357)
Prepaid expenses and other assets	(5,318)	52,566
Accounts payable	(7,021)	916
Accrued expenses and other liabilities	11,033	(125,991)
Intercompany payables	(37,789)	(93,832)
Income taxes receivable/payable	131	3,935
Net cash used in operating activities	(4,804)	(36,284)
Investing activities:		
Purchases of property, plant, equipment and other	(15,461)	(3,442)
Net cash used in investing activities	(15,461)	(3,442)
Financing activities:		
Proceeds from issuance of long-term debt	30,000	90,000
Issuance of common stock	234,000	267,100
Repayments of debt	(233,360)	(306,865)
Posaconazole milestone payment	—	(750)
Solosec acquisition milestone payment	(10,000)	(7,500)
Net cash provided by financing activities	20,640	41,985
Net change in cash and cash equivalents	375	2,259
Cash and cash equivalents-beginning of period	21,266	19,007
Cash and cash equivalents-end of period	$ 21,641	$ 21,266
SUPPLEMENTAL INFORMATION		
Noncash asset acquisition	$ 45,000	$ —
Cash paid for interest	$ 3,704	$ 9,087
Cash paid for taxes	$ 416	$ 36,911
Cash paid for preferred shares dividend	$ 6,300	12,075
Cash (received) for taxes	$ —	$ (41,325)

See accompanying notes to consolidated financial statements.

Note 1. Organization and Description of the Business

Lupin Inc., including its consolidated subsidiaries, (collectively, the Company) was incorporated in the United States of America (USA) under the Laws of the State of Maryland on June 27, 2013 as a Maryland Corporation and converted to a Delaware Corporation on March 8, 2016. The Company became a wholly owned subsidiary of Nanomi B.V. (Nanomi), effective March 31, 2020.

The Company's core business as a distributor is to trade in pharmaceutical products and to render marketing and ancillary services related thereto.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated 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). Lupin Pharmaceuticals, Inc. (LPI) is owned 97% by the Company; the remaining 3% interest is owned by Lupin Limited (LL) directly and presented as a noncontrolling interest herein. The consolidated financial statements include the accounts of controlled subsidiaries after the elimination of intercompany accounts and transactions.

The Company incurred losses from operations during the 2022 and 2021 fiscal years, primarily attributable to costs related to the impairment of $125.7 million in the current fiscal year including the Solosec intangible asset of of $109.6 million, asset acquisition of future rights assignment from LL that resulted in an expense of $45 million in March 2022. As of March 31, 2022, the Company had a working capital deficit of $196.2 million, primarily due to third party loans of $350 million due within the next 12 months (see Note 10 for details). The Company's ultimate parent company, Lupin Limited, has provided guarantee towards these third-party loans of $350 million. Lupin Limited has also committed to fund the continued operations of the Company through May 11, 2023.

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. The most significant estimates and assumptions relate to sales reserves and allowances, inventory valuation, valuation of goodwill and intangible assets, contingencies, and the recoverability of deferred tax assets.

Revenue Recognition

The Company recognizes revenue pursuant to ASC 606. The Company derives its revenue from product sales, services and profit sharing. Under ASC 606, a contract with a customer only exists when the parties to the contract have approved it and are committed to perform their respective obligations; the Company can identify each party's rights regarding the goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We recognize revenue from the contracts meeting these criteria when we satisfy our performance obligations for such contracts by transferring control of the underlying promised goods or services to our customers. The amount of revenue we recognize reflects our estimate of the consideration we expect to be entitled to receive, excluding amounts collected on behalf of other third parties and sales taxes (if any). Payment terms of our contracts generally fall within 30 to 90 days of invoicing. The Company does not incur costs to obtain a contract or costs to fulfill a contract that would result in the capitalization of contract costs. The Company's revenue contracts do not generally give rise to contract liabilities, as we do not generally receive consideration until the performance obligation is satisfied. Shipping and handling costs after control over a product has been transferred to a customer are accounted for as a fulfillment cost (if any).

Product sales

The majority of the Company's contracts related to product sales include only one performance obligation, which is to deliver products to customers based on purchase orders received. Revenue from sales of products is recognized at a point in time when control of the products is transferred to the customer, generally upon delivery, which the Company has determined is when physical possession, legal title, risks, and rewards of ownership of the products transfer to the customer and the Company is entitled to payment. The amount of consideration the Company expects to be entitled includes a fixed amount of the transaction price, net of accruals for estimated variable considerations including, but not limited to, wholesaler chargebacks, distribution service fees, returns and allowances, discounts, rebates, sales incentives and other allowances. The Company utilizes the expected value method when estimating the amount of variable consideration. Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Reductions to revenue relating to amounts expected to be settled in payments to customers are recorded within other current liabilities when estimated. Reductions to revenue that are expected to be netted against future outstanding customer accounts receivable are recorded as a reduction to accounts receivable. In addition, the Company reassesses variable consideration at each reporting period end.

The following describes the major variable consideration components and other reductions to the revenue and how they are estimated.

Chargebacks/Billbacks

Chargebacks are discounts that occur when a contracted customer purchases through an intermediary wholesaler (commonly referred to as indirect sales). In an indirect sale, the wholesalers are our customers, and the end customers who purchase products from the wholesalers are considered an extension of the customer. In the arrangement, the Company enters into a contract with its customers, establishing prices for certain products. While these arrangements are made between the Company and the customers, the customers independently select a wholesaler from which they purchase the product at their contracted prices. The wholesaler, in turn, charges the Company back for the difference between the price initially paid by the wholesaler and the contract price paid to the wholesaler by the customer. Billbacks also relate to indirect sales. The difference is the customers purchase the products from a wholesaler at the price agreed by the wholesaler, and then charge the Company back the difference between the price paid to the wholesaler and the contractual price with the Company. The provision for chargebacks/billbacks is based on expected sell-through levels by the Company's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels.

Distribution Service Fees

Consistent with industry practices, the Company establishes contracts with wholesalers that provide services for fees under the wholesaler Distribution Services Agreements ("DSA fees"). Settlement of DSA fees generally occur monthly or quarterly based on net sales for the period. The DSA fees are accounted for as a reduction to transaction price. DSA fee accruals are based on contractual fees to be paid to the wholesale distributor when products are sold to the customer.

Right of Return

Consistent with industry practice, the Company maintains a return policy that allows its customers to return product within a specified period of time both subsequent to and prior to the product's expiration date. The Company's return policy generally allows customers to receive credit for expired products within six months prior to expiration and within one year after expiration. The primary factors considered in estimating potential product returns include: the shelf life or expiration date of each product, historical data of expired product returns, and external data with respect to inventory levels in the wholesale distribution channel. Due to the nature of the products, the Company's returned products cannot be re-sold and must be destroyed, the Company recognizes the estimated refund liability when product revenues are recognized and no expected returned assets are recorded in connection with those products.

Prompt Payment Discount

Prompt pay discounts are offered to some major customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

Services and other revenues

Service and other revenues primarily consist of marketing services and R&D services provided to the related parties under Lupin Limited, the Company's ultimate parent company. The service contracts are time and materials based. The Company elected to use the "as invoiced" practical expedient, 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.

Profit sharing revenues

Profit sharing revenues relate to product sales. Occasionally, the Company provides contract manufacturing services to customers through its wholly owned subsidiary Novel Laboratories, Inc. ("Novel"). The manufacturing contracts generally contain profit sharing terms between the parties, which stipulate a percentage of profits of product sales that will be received by the Company. Profit sharing revenues are recognized at a point in time when related product revenues are recognized. The amount of profit sharing revenue is estimated using the expected value method based on contract terms and historical experience to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company reassesses profit sharing revenue at each reporting period end.

Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value if fair value can reasonably be estimated. If the acquisition date fair value of an asset acquired or liability assumed that arises from a contingency cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of the acquisition.

If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for as an acquisition of assets rather than a business combination and, therefore, no goodwill will be recorded. Contingent consideration arising from the asset acquisition is recognized when probable and reasonably estimable and is recorded as an increase to the cost of the assets acquired.

Fair Value

The Company follows the provisions of FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*," for fair value measurement recognition and disclosure purposes for its financial assets and financial liabilities that are remeasured and reported at fair value each reporting period. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents.. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. Categorization is based on a three-tier valuation hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs that are other than quoted prices in active markets for identical assets and liabilities, inputs that are quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are either directly or indirectly observable; and

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Collaboration and Research Arrangements

Payments to and from our collaboration partners are presented in our consolidated statements of operations based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance.

As the Company is not in the business of entering collaboration arrangements, reimbursements from our collaboration partners for development costs are typically recorded as reduction in research and development expenses as these arrangements are under ASC 808, Collaborative Arrangements. The Company has entered into one agreement whereby up to $38.4 million of research and development expenses will be reimbursed upon hitting developmental milestones, of which $2.6 million was recognized in the year ended March 31, 2022.

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.

Accounts receivable, net

Accounts receivables represent the Company's unconditional rights to consideration due from customers. Accounts receivables are recorded at the invoiced amount net of certain chargebacks, sales incentives and allowances, and do not bear interest.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. The cost of inventories is determined using the weighted average method. Inventories are recorded at the lower of cost or net realizable value, include materials, labor, direct costs and indirect costs. Any net realizable value adjustment related to purchased inventory from LI is recorded as a reduction to Intercompany payables. A net realizable value adjustment related to inventory manufactured by LPI is recorded as an expense in cost of revenue. Inventories may also include certain finished goods produced in preparation for product launches that are considered to have a high probability of regulatory approval. In evaluating the recoverability of inventories produced in preparation for product launches, the Company considers the likelihood that revenue will be obtained from the future sale of the related inventory together with the status of the product within the regulatory approval process**.**

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 and equipment includes land, buildings, machinery and equipment, leasehold improvements, office equipment and computers, software, furniture and fixture, and construction in-progress. We record property and equipment at cost less accumulated depreciation. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets:

Buildings	25 - 40 years
Machinery and equipment	3 to 10 years
Leasehold improvements	5 - 7 years, not beyond the lease term
Office equipment and computers	2 - 3 years
Software	3 - 5 years
Furniture and fixtures	3 - 5 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.

Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations.

Intangible assets, net

The Company's intangible assets include both finite lived and indefinite lived assets. Finite lived intangible assets, consisting of Currently Marketing Products (CMPs), New Drug Applications (NDAs) and Approved Abbreviated New Drug Applications (ANDAs) are amortized on a straight-line basis over the estimated useful life of the assets. Indefinite-lived intangible assets consist of acquired in process research and development (IPR&D) product rights and filed ANDAs not yet approved by the Food and Drug Administration (FDA). IPR&D and Filed ANDA assets acquired in a business combination and those transferred in from entities under common control are recorded at fair value or at the transferring entity's historical cost basis at date of transfer, respectively. IPR&D and Filed ANDAs are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Testing

Goodwill and other indefinite-lived intangible assets are not amortized but are evaluated annually for impairment. The Company performs its evaluation of impairment for goodwill and other indefinite-lived intangible assets as of January 1, and when events or changes in circumstances indicate that the assets may be impaired. The Company may utilize a qualitative evaluation about the likelihood of impairment to determine whether it is necessary to perform the quantitative impairment test. If determined to be necessary, the quantitative impairment test shall be used to identify impairment and measure the amount of impairment loss to be recognized (if any). As part of our assessment, we estimate the fair values of our reporting unit and our intangible assets using an income approach that utilizes a discounted cash flow model. The discounted cash flow models are dependent upon our estimates of future cash flows and other factors. These estimates of future cash flows involve assumptions concerning (i) future operating performance, including future sales, long-term growth rates, operating margins, tax rates, variations in the amount and timing of cash flows and the probability of achieving the estimated cash flows and (ii) future economic conditions. The discount rates applied to the estimated cash flows are based on the overall risk associated with the particular assets and other market factors. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized.

Long-Lived Asset Impairment Testing

Long-lived assets, including property, plant and equipment and finite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable. Recoverability of an asset that will continue to be used in our operations is measured by comparing the carrying amount of the asset to the forecasted undiscounted future cash flows related to the asset. In the event the carrying amount of the asset exceeds its undiscounted future cash flows and the carrying amount is not considered recoverable, impairment may exist. An impairment loss, if any, is measured as the excess of the asset's carrying amount over its fair value, generally based on a discounted future cash flow method, independent appraisals or preliminary offers from prospective buyers. An impairment loss would be recognized in the consolidated statements of operations in the period that the impairment occurs.

Research and Development Expenses

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

Costs for certain development activities, such as preclinical and clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, preclinical site activations, or information provided to the

Company by its vendors with respect to their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued research and development expense, as the case may be.

Under a Product Development Agreement, certain research and development costs are cross charged as intercompany invoices to LL. These transactions are reflected in cost of service and other revenues with a 10% markup. The Company's remuneration for such services is subject to an annual transfer pricing study.

Other Income, Net

Other income is comprised of related party billings for reimbursements of management fees, and other miscellaneous income (expense) from non-core businesses.

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 consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the consolidated 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.

Contingencies

The Company records accruals for contingencies expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. For contingencies that may arise from a business combination, the Company generally obtains indemnification from the sellers of a business upon acquisition for various contingent liabilities related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. We recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. We assess the realizability of the indemnification assets each reporting period.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held by two financial institutions and the amounts on deposit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its uninsured cash in major well capitalized financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers, all of whom are creditworthy customers representing the FORTUNE 500. The Company derives the majority of revenue from sales to US-based supply chain distributors, pharmacies, etc. The following companies represent more than 10% of revenue for the year ended March 31, 2022 and 2021: AmerisourceBergen Health Corp, McKesson Financial Center, CVS and Cardinal Health. The following companies represent more than 10% of accounts receivable as of March 31, 2022 and 2021, respectively: AmerisourceBergen Health Corp and McKesson Financial Center.

Impact of Coronavirus Pandemic

Beginning in March 2020, the vast and accelerated spread of the coronavirus (COVID-19) has resulted in significant disruptions to the global economy. The Company has experienced and expects to continue to experience changes in customer demand as the COVID-19 pandemic evolves. Beginning in late March 2020, we experienced a significant increase in sales orders from the wholesalers in anticipation of supply chain issues due to the COVID-19 pandemic. During the first two months of fiscal year 2021, Lupin experienced a material decrease in product sales due to the wholesalers' stock-up in inventory in late March and an acute reduction in patient office

visits and physician prescriptions. Later in the year, as the shelter-in-place orders began to be lifted in many states, our product sales have been increasing. Lupin's management is closely monitoring the impact of COVID-19 on our business. The Company remains confident in the fundamental underlying demand for its products and its prospects for long-term growth, though COVID-19- related disruptions to patients' ability to access health care providers will cause near-term challenges.

Recent Accounting Pronouncements

Recently issued accounting pronouncements, not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued certain ASUs to update ASU 2016-13. The ASUs introduce the new current expected credit loss (CECL) approach to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. In November 2019,the FASB issued ASU 2019-10 to update the effective date for adopting the ASU for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect the adoption of this guidance to have material impact on the Company's consolidated financial statements.

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, 2021. Early adoption is permitted. The Company is currently evaluating the impacts of the adoption of this guidance on its consolidated 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. Accounts Receivable, net

The composition of accounts receivable, net is as follows (*in thousands*):

	March 31, 2022	March 31, 2021
Gross accounts receivable	$ 499,769	$ 618,524
Less: chargeback reserve	(121,422)	(161,881)
Less: indirect reserve	(2,044)	(5,394)
Less: price protection	(4,312)	(3,285)
Less: distribution services reserve	(360)	(483)
Less: discount reserve	(9,277)	(15,514)
Less: POS couponing	(668)	(1,611)
Less: allowance for doubtful accounts	—	(2,465)
Accounts receivable, net	$ 361,686	$ 427,891

During the year, the Company changed its estimates for the cumulative impact of excess product returns due to a prior patient level recall of Metformin as well as the impact of COVID-19 on customer demand for seasonal products and penalties for supply disruptions. These changes in accounting estimates resulted in a reduction to current period revenues of $26.1 million and a corresponding increase to the accrued balances for chargebacks (included within Accounts Receivable, net), and rebates and product returns (included within Other Current Liabilities).

Note 4. Inventories

Inventories consist of (*in thousands*):

	March 31, 2022	March 31, 2021
Raw materials	$ 28,947	$ 23,436
Work in process	6,554	11,134
Finished goods	124,517	129,801
	160,018	164,371
Less: valuation reserve	(19,874)	(18,942)
Inventories	$ 140,144	$ 145,429

Note 5. Property, Plant and Equipment, net.

Property, plant and equipment, net consists of the following (*in thousands*):

	March 31, 2022	March 31, 2021
Land	$ 3,740	$ 3,740
Buildings	37,073	25,036
Machinery and equipment	48,736	47,831
Leasehold improvements	21,807	21,395
Office equipment and computers	7,397	7,325
Software	4,221	4,145
Construction in process	6,742	5,181
Furniture and fixtures	3,892	3,892
	133,608	118,545
Less: accumulated depreciation	(65,027)	(55,961)
Property, plant and equipment, net	$ 68,581	$ 62,584

In December 2021, the Company acquired its previously leased inhalation research facility located in Coral Springs, Florida, for a total of $12.0 million, and included within Property, plant and equipment above with a corresponding reduction of $0.9 million in lease liability and ROU assets. Depreciation expense was $9.1 million and $10.3 million for the for the years ended March 31, 2022 and 2021, respectively.

Note 6. Accrued Expenses

Accrued expenses consist of the following (*in thousands*):

	March 31, 2022	March 31, 2021
Selling, general and administrative	$ 8,626	$ 5,266
Bonus and incentives	9,056	9,955
Freight	7,663	4,303
Legal costs	4,901	1,279
Accrued interest	324	618
Payroll and benefits	1,806	2,203
Product costs	1,970	681
Research and development	1,569	453
Profit share	11,277	8,930
Accrued expenses	$ 47,192	$ 33,688

Note 7. Other Current Liabilities

Other current liabilities consist of the following (*in thousands*):

	March 31, 2022	March 31, 2021
Accrued rebates	$ 29,482	$ 26,906
Accrued sales returns	9,631	20,802
Accrued medicaid	11,925	6,361
Accrued billback	2,311	2,775
Accrued penalty	3,289	—
Solosec acquisition milestone payment	10,000	10,000
Current portion of operating lease liabilities	1,924	2,758
Other current liabilities	$ 68,562	$ 69,602

Note 8. Asset Acquisitions

Solosec™ Franchise

On October 10, 2017, the Company acquired all of the outstanding equity of Symbiomix Therapeutics LLC (Symbiomix), a privately held company focused on bringing innovative therapies to market for gynecologic infections that can have serious health consequences. The acquisition of Symbiomix's Solosec™ franchise was accounted for as an asset acquisition. The total consideration was $124.1 million, of which the Company made a $57.5 million upfront cash payment, and discounted future time-based payments of $66.6 million through 2026. As of March 31, 2022, the Company made time-based payments totaling $47.5 million, including $30 million in fiscal 2019, $7.5 million in fiscal 2021 and $10 million in fiscal 2022. As of March 31, 2022, the discounted balance of other time-based payments was $32.2 million, of which the current portion of $10 million as of March 31, 2022, has been classified as other current liabilities and the remaining balances not due within twelve months were included in other liabilities on the consolidated balance sheet.

In addition to the total acquisition purchase price, the agreement also requires the Company to pay additional consideration contingent upon net sales of Solosec™ for a term not to exceed five years after the expiration of product's market exclusivity, which will be recognized when probable and estimable. Payment of additional consideration will be recorded as an adjustment to the cost of the asset.

Future undiscounted time-based payments are as follows (*in thousands*):

	Year Ended March 31,
2023	$ 10,000
2024	10,000
2025	10,000
2026	7,500
Total	37,500

In November 2021, Lupin Pharmaceuticals Inc., (Lupin) and Exeltis USA Inc. announced a promotional agreement for Exeltis to promote SOLOSEC® along with Exeltis' existing line of Women's Health products, further enhancing value to OBGYNs and their patients. SOLOSEC® is indicated for the treatment of Bacterial Vaginosis in adult women (a common vaginal infection) and Trichomoniasis in adults (the most common non-viral, curable sexually transmitted infection in the U.S.). The terms of that arrangement involve LPI manufacturing the product with Exeltis marketing the product and an equal share of profits beginning in January 2022. This new arrangement is not expected to increase the contingent consideration.

LL & Boehringer Ingelheim Inc (BII) IPR&D Agreement

On September 3,2019, Lupin Limited entered into a License, Development and Commercialization Agreement with, Boehringer Ingelheim Inc (BII). On March 29, 2022, the Company entered into an agreement with LL for $45 million obtaining the rights for all future milestone payments and revenue share on the sale of the product globally excluding India from BII under the original agreement between LL and BII. The Company has recorded the payment of $45 million in Intercompany payables within the Consolidated balance sheet as of March 31,2022.

The Company accounted for the transaction as an asset acquisition between entities under common control. As a result, the Company recorded a $45 million research and development expense as part of the transaction and a deferred tax asset to that extent with a full valuation allowance as of March 31, 2022.

Note 9. Goodwill and Other Intangibles

Goodwill

The table below provides a roll-forward of the goodwill balance (*in thousands*):

Goodwill balance at April 1, 2020	$	95,089
Fiscal 2021 activity		—
Goodwill balance at March 31, 2021		95,089
Fiscal 2022 activity		—
Goodwill balance at March 31, 2022	$	95,089

Other Intangibles

The following tables summarize the components of the Company's other intangible assets (*in thousands*):

Period Ended March 31, 2022	**Currently Marketed Products**	**Approved ANDAs**	**Filed ANDAs**	**In-process R&D**	**Total**
Balance at April 1, 2021	$ 405,460	$ 6,822	$ 55,559	$ 27,571	$ 495,412
Fiscal 2022 activity	479	(479)	—	—	—
Balance at March 31,2022	405,939	6,343	55,559	27,571	495,412
Less: accumulated amortization	(125,771)	(2,905)	—	—	(128,676)
Less: impairment provision	(248,047)	—	(38,612)	(27,571)	(314,230)
Net carrying amount at March 31, 2022	$ 32,121	$ 3,438	$ 16,947	$ —	$ 52,506

Period Ended March 31, 2021	**Currently Marketed Products**	**Approved ANDAs**	**Filed ANDAs**	**In-process R&D**	**Total**
Balance at April 1, 2020	$ 404,710	$ 6,822	$ 55,559	$ 27,571	$ 494,662
Fiscal 2021 activity	750	—	—	—	750
Balance at March 31,2021	405,460	6,822	55,559	27,571	495,412
Less: accumulated amortization	(108,876)	(2,324)	—	—	(111,200)
Less: impairment provision	(122,349)	—	(38,612)	(27,571)	(188,532)
Net carrying amount at March 31, 2021	$ 174,235	$ 4,498	$ 16,947	$ —	$ 195,680

Amortization expense was $17.5 million and $22.1 million for the years ended March 31, 2022 and 2021, respectively.

Following its acquisition of Symbiomix in October 2017, the Company launched Solosec in FY 2019 and classified the intangible asset as a Currently Marketed Product (CMP), with approximately 40 thousand scripts sold during that fiscal year and increasing to 95 thousand in fiscal year 2020. As with many women's health products and especially newly launched products, COVID-19 impacted sales of Solosec dramatically in FY 2021 resulting in the Company selling only 32 thousand scripts during that year. In FY22, the Company determined that in addition to the ongoing impact of COVID-19 on overall demand, health care providers' willingness to prescribe Solosec was further declining due to the increased burden of prior authorization requirements by commercial insurers. As a result, the Company scaled down its commercial infrastructure related to Solosec, including the in-person promotion of Solosec by its contracted team of sales representatives in September 2021. The decline in sales and the Company's decision to scale down its promotional investment related to Solosec was considered an impairment triggering event occurring in the second quarter of FY 2022. As a result of these events, the Company revised the expected cash flow assumptions for Solosec in their impairment analysis. These revisions to cash flows indicated that the Solosec intangible asset value was not recoverable on an undiscounted cash flows basis. The fair value of the intangible asset was then estimated using the discounted cash flow method, which, when compared with its carrying value, resulted in an impairment loss of $109.6 million, which is included in intangible asset impairment charges in the consolidated statements of operations.

During the annual impairment test during the fourth quarter of fiscal year 2022, the Company determined certain assets failed the recoverability test and subsequently performed a discounted cash flow evaluation and recorded an additional intangible asset loss of $16.1 million, primarily due to CMPs that are considered dormant and no longer actively marketed by the Company.

The approximate estimated future amortization expense at March 31, 2022 is as follows (*in thousands*):

	12 Month Period Ended March 31,
2023	$ 8,470
2024	8,470
2025	8,470
2026	8,470
2027	1,679
Total	$ 35,559

Note 10. Debt

A summary of outstanding debt is as follows:

	March 31, 2022	March 31, 2021
$120 million Facilities Agreement, net	$ -	$ 34,995
$680 million Novation Agreement, net	-	198,305
Total Facilities/Novation debt	-	233,300
LAHSA Loan	30,000	-
Line of credit - SMBC	125,000	125,000
Line of credit - MUFG	225,000	225,000
Total debt(Short Term)	380,000	583,300
Short-term debt	350,000	583,300
Long-term debt, net	$ 30,000	$ -

On March 31, 2016, the Company entered into a Facilities Agreement for loan assistance of $120.0 million, which was guaranteed by LL ("Guarantor"). The Facilities Agreement contained a six-year term with $40.0 million payable at May 2, 2020, $40.0 million payable at May 2, 2021 and $40.0 million payable at May 2, 2022. On March 1, 2018, the Company entered into an agreement to assume $673.5 million of third-party LAHSA debt, net of $6.5 million of debt issue costs, assigned through the Novation Agreement ("Novation Agreement") with LL, LAHSA and a consortium of banks signed on May 3, 2018. The debt was guaranteed by LL ("Guarantor"). The debt was assumed as consideration, in addition to $8.5 million of cash, for certain IP assets acquired from LAHSA. The debt contained a six-year term with $226.7 million payable at May 2, 2020, $226.7 million payable at May 2, 2021 and $226.7 million payable at May 2, 2022. Interest was accrued on the note at the rate of 0.95% plus the three-month LIBOR rate and was payable quarterly. The Company was responsible for interest payments after March 1, 2018. The debt issue costs of approximately

$1.8 million and $6.5 million were capitalized and amortized over the term of the loan on a straight-line basis, which approximated the effective interest method, and was recorded as a component of long term debt, net on the consolidated balance sheets.

Pursuant to the Facility Agreement and the Novation Agreement (collectively, "Agreements") of the loans discussed above, if any member of the Borrower Group (the Company, the Guarantor and any material subsidiaries of the Guarantor) entered into a single transaction or a series of transactions to sell any assets, the proceeds of which exceed $50 million, the Company was required to prepay the loans in an amount equal to the disposal proceeds, net of any reasonable expenses related to the transactions, taxes and any reasonable amounts retained to cover indemnities and contingent liabilities in connection with the disposal ("Net Proceeds"). Any prepayment was applied to the installment payments in inverse chronological order (meaning, the prepayment was first applied to the May 2022 installment, and then the May 2021 installment, etc.). In November 2019, LL entered into a definitive agreement to sell its entire stake in Kyowa Pharmaceutical Industry Co. Ltd. ("Kyowa"), a Japanese subsidiary (material subsidiary as defined in the Agreements) to Unison Capital Partners IV, LPS and Unison Capital Partners IV (F). L.P. (collectively referred to as "Unison") for $344 million. According to the terms of the Agreements, the Company prepaid $300 million, which represented the Net Proceeds from the sale of Kyowa, for the loans in February 2020. On April 9, 2021, the Company paid the outstanding principal and accrued interest on the Facilities and Novation loans. The payment was funded by issuing additional common stocks to Nanomi, the Company's parent. As of June 30, 2021, the two loans discussed above were fully settled.

In August 2018, the Company entered into a $75 million uncommitted short-term revolving line of credit facility (RLOC) with Sumitomo Mitsui Banking Corporation Singapore Branch (SMBC). The RLOC was amended to increase the limit to $100 million in March 2020 and $125 million in March 2021. Borrowings under the facility are uncommitted and the credit facility can be terminated by SMBC on written notification. Upon such termination, all outstanding amounts under the facility shall be paid to SMBC. Advances made under the amended RLOC bear interest at corresponding LIBOR plus 50 bps per annum. The revolving loans are interest-only with principal due at maturity. The outstanding balances were $125 million as March 31, 2022 and 2021, respectively. The current loans mature in June 2022.

In November 2018, the Company entered into a $100 million short-term credit facility (the Facility) with MUFG Bank, Ltd., Singapore Branch. The Facility, which is guaranteed by LL, was first amended in March 2020 to increase the limit to $200 million, and further amended in March 2021 to increase the limit to $250 million. The Facility is available for drawdown during the period up to December 2021. Loan advances drawn under the Facility bear interest rate of corresponding LIBOR plus 50 bps per annum. The principal, plus interest is due at maturity. The outstanding balances was $225 million as of March 31,2022 and 2021 respectively. The current loans mature in the first quarter of fiscal year 2023.

In November 2021, the Company entered into an agreement with its affiliate LAHSA, to finance its working capital needs with a credit line of up to $30 million. Loan advances drawn under the Facility bear interest at the rate of one and forty-five hundredths percent (1.45%) per annum, determined based on an independent third-party interest benchmarking assessment. The principal, plus interest is due at maturity unless prepaid earlier at the Company's election. The Company drew down the full amount of the credit line and had an outstanding balance of $30 million as of March 31, 2022. The credit line has a duration of thirty-six months and will mature in the third quarter of fiscal year 2025.

The Company recorded interest expense of $3.5 million and $8.4 million during the years ended March 31, 2022 and 2021, respectively. The aggregate outstanding principal and accrued interest balance at March 31 2022 and 2021 were $380.3 million and $584.0 million, respectively.

Note 11. Leases

Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. On occasion, the Company subleases excess office facilities to third parties. Rental expense, net of sublease income, is included in the selling, general and administrative expense in the consolidated statements of operations.

For operating leases, the ROU assets and liabilities are presented in the consolidated balance sheet as follows:

(*in thousands*)

	Balance Sheet Classification	Balance at March 31, 2022
Right-of-use assets	Other assets	$ 10,370
Lease Liabilities - current	Other current liabilities	1,924
Lease Liabilities - noncurrent	Other liabilities	10,071

The components of operating lease costs are as follows:

(*in thousands*)

	For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
Operating lease cost	$ 2,767	$ 3,269
Variable lease cost	564	1,859
Sublease income	(437)	(414)
Total lease cost	$ 2,894	$ 4,714

Supplemental balance sheet information related to leases is as follows:

	March 31, 2022
Weighted average remaining lease terms (in years)	6.80
Weighted average discount rate	4.9%

Other supplemental information includes the following:

(*in thousands*)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 2,246	3,299
Leased assets obtained for new operating lease liabilities	134	1,973

The table below reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of March 31, 2022:

(*in thousands*)

	For the year ended March 31,
2022	$ 2,450
2023	2,417
2024	2,016
2025	1,724
2026	1,592
Thereafter	3,805
Total undiscounted lease payments	14,004
Less: imputed interest	2,009
Present value of minimum lease payments	$ 11,995
Less: current portion	1,924
Noncurrent portion	$ 10,071

Note 12. Contingencies

Legal Proceedings

Novel Indemnity Case

In March 2016, the Company acquired 100% of the equity interest in Gavis and Novel Laboratories, Inc. ("Novel") under a Share Purchase Agreement (SPA). As part of the SPA, the Company placed $48.4 million in an indemnity escrow account in case the sellers of Novel (Sellers) breach certain representations and warranties. Under the terms of the SPA, the Company is indemnified for the damages from such breaches under certain conditions. The Company and the Sellers disputed whether the escrowed funds should be released. In November 2020, the dispute was resolved amicably by all parties.

On March 27, 2017, AMRI Global, Inc., ("AMRI"), a pharmaceutical research and manufacturing organization filed a lawsuit against Novel for pre-acquisition behaviors. The Company recorded an accrued legal settlement and corresponding indemnification asset of $8.8 million in the second quarter of fiscal year 2020. During the third quarter of fiscal year 2020, the Company settled the case with AMRI for $8.8 million. Additionally, during the third quarter fiscal 2021, Lupin received $25 million dispersed from the indemnity escrow account, with the remaining balance dispersed to the Sellers. The Company recorded $16.2 million gain, net of the indemnification asset of $8.8 million, related to the case, of which $10.2 million was included in Gain on legal settlement, $5.5 million was included in Legal expense reimbursement and the remaining balance of $0.5 million was included in Selling, general and administrative on the Consolidated Statements of Operations.

Government Investigations

Lupin is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

Starting in fiscal 2018, the Company was named in both class action and individual cases based on allegations of anticompetitive behavior related to certain products. On April 17, 2018, Lupin and one of its employees received a non-party subpoena from the state of Connecticut Attorney General (CAG) related to a civil antitrust case they filed in 2016, requesting documents and other information. On May 10, 2019, 43 state attorneys general, led by the CAG, filed a second lawsuit against 19 companies (including Lupin Pharmaceuticals, Inc.) and 15 individuals (including the Lupin employee) with allegations of violations of federal and state antitrust laws. The states claim to have been injured by paying supra-competitive prices for the products they purchased or reimbursed. These civil lawsuits were combined into the collection of similar cases referred to as In Re Generic Pharmaceuticals Antitrust Litigation, located in Philadelphia, Pennsylvania. As the case is still in the early stage, an estimate of the possible loss or range of loss, if any, cannot be made.

During the year ended March 31, 2022, LPI and its ultimate parent Lupin Limited, agreed to settle dispute in the Northern District of California, in connection with the drug Glumetza® without admitting any violation of law. Lupin Limited made a provision towards business compensation expense based on the agreement to settle the dispute with two of the plaintiffs representing a majority of the claims for an amount of $248 million (excluding $4.0 million towards litigation and settlement related expenses) which was discharged during the year in accordance with the settlement agreement.

The sellers of Symbiomix, represented by a company named SRS, filed for arbitration against the Company over its accounting of royalties paid to the sellers based on net sales. SRS disputes Lupin's deduction from patient copay cards from net sales. The case was presented to the arbitrator in February 2022, who subsequently ruled for a partial final award to SRS for $3.5 million in additional royalties from April 2018 through January 2022 including the accrued interest and legal fees. Previously, the Company had not recorded a liability or expense as it was not probable. The Company recorded an expense of $5 million within Selling, general and administrative on the Consolidated Statements of Operations

Note 13. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the asset and 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 impact on deferred assets and liabilities of a change in tax rates is recognized in the period that the rate change is enacted. Valuation allowances are recorded when it is determined that it is more likely than not that a deferred tax asset will not be realized.

The Company's loss before income taxes was $184.5 million and $34.6 million for the years ended March 31, 2022 and 2021, and was generated entirely in the United States.

Income tax provision consists of (*in thousands*):

	Year Ended March 31,	
	2022	**2021**
Current provision:		
U.S. federal	$ —	$ (1,357)
U.S. state and local	124	330
Foreign	823	1,787
Total current provision	$ 947	$ 760
Deferred benefit:		
U.S. federal	—	—
U.S. state and local	—	5
Total deferred benefit	—	5
Total current and deferred benefit	$ 947	$ 765

Income tax provision 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 (*in thousands*):

	Year Ended March 31,	
	2022	**2021**
Loss before income tax	$ (184,468)	$ (34,638)
Statutory tax rate	21.00%	21.00%
Income tax benefit at statutory rate	(38,738)	(7,274)
U.S. state tax provision	98	190
	(38,640)	(7,084)
Increase (decrease) in income tax provision resulting from:		
Non-deductible expenses	1,534	1,409
R&D tax credits (net of reserve)	(1,761)	(1,483)
Valuation allowance	39,481	11,064
Foreign taxes	824	1,755
Other	(491)	(4,896)
Income tax provision	$ 947	$ 765

The Company is currently under an Internal Revenue Service examination for its fiscal year ended March 31, 2019. The examination is in the early stages, and there have been no determinations in the current period.

Deferred taxes arise out of basis differentials between financial statement accounting and tax amounts. The components of our deferred tax assets and liabilities include the following (*in thousands*):

	March 31, 2022	March 31, 2021
Deferred tax assets:		
Accounts receivable returns and allowances	$ 3,542	$ 5,702
Inventory reserve	2,755	1,060
Research and development, net of reserve	14,952	12,588
State tax credits	3,389	3,501
Net operating loss	76,065	45,556
Accrued payroll	671	975
Acquisition costs	2,245	2,098
Chargebacks	26,902	33,602
IP	210,393	180,485
BII asset	11,380	-
Other	25,514	20,183
Total deferred tax assets	$ 377,808	$ 305,750
Valuation allowance:	(309,377)	(256,337)
Deferred tax liabilities:		
Goodwill amortization	$ (3,147)	$ (2,871)
Depreciation/amortization	(61,448)	(43,542)
Deferred interest	(1,814)	(1,695)
Other	(2,022)	(1,305)
Total net deferred tax liabilities	$ (68,431)	$ (49,413)
Net deferred tax liability	$ -	$ -

We have carryforward income tax NOLs related to our operations, which are available to reduce U.S. federal and/or state income taxes payable. Under the CARES Act NOL carryback provisions, the Company used $132 million of NOLs to offset fiscal years ended March 31, 2015 through 2017 of taxable income. In the case of NOL carryforwards, and for tax years beginning before 2021, we will be entitled to an NOL deduction of 100% of taxable income (rather than the 80 percent limitation under the 2017 Tax Cuts and Jobs Act). Moreover, these NOL carryforwards have an indefinite life, except for $18.9 million, which are subject to limitations under IRC Section 382.The Company has cumulative NOLs of $189.4 million and estimated $285 million for fiscal years ended 2021 & 2022, respectively.

The Company provides for a valuation allowance when it believes that deferred tax assets are not realizable based upon an assessment of future taxable income, and/or tax planning strategies implemented to realize the deferred tax assets. Based upon the Company's cumulative losses, we established a valuation allowance on our deferred tax accounts in fiscal year ended March 31, 2018. We will continue the valuation allowance through fiscal year ended March 31, 2022.

ASC Topic 740 prescribes a minimum recognition threshold and measurement attribute methodology for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company has evaluated all uncertain tax positions in accordance with ASC Topic 740. As of March 31, 2022 and 2021, the Company evaluated its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions, which have been deemed reasonable by management. The Company does not expect changes in unrecognized tax benefits, if any, within the next twelve months to have a material impact on the provision from income taxes or the effective tax rate.

Note 14. Common Stock

On April 9, 2021, the Company issued 23,400 ordinary shares of its common stock to Nanomi, B.V. and received $234 million in cash which it utilized to settle the outstanding principal and accrued interest on the Facilities and Novation loans discussed in Note 10.

Note 15. Intellectual Assets Purchase and Preferred Stock

On March 31, 2020, the Company entered into an intercompany Asset Purchase Agreement (APA) with LAHSA to acquire certain intellectual property rights regarding various pharmaceutical products (Purchased Assets) for $280 million. A valuation analysis was performed by an independent third-party to assess the implications of the transfer pricing and it was concluded that the transfer price is substantially representative of the fair value of the Purchased Assets in an arm's length transaction. The consideration of the Purchased Assets was paid by issuing 28,000 shares of the Company's Series A Preferred Stock, with par value of $10,000 per share (Par Value) and a dividend rate of 5% of Par Value per annum, to LAHSA.

In March 2021, the Board of Directors (the Board) of the Company approved a resolution to amend certain terms of the Series A Preferred Stock, including a reduction, effective as of January 1, 2021, in the dividend rate of the Series A Preferred Stock from 5% of Par Value per annum, to 2.25% of Par Value per annum, and a reduction in the maximum term of the Series A Preferred Stock from 15 years to 5 years. As a result of the amendment, we assessed the value of the stock immediately prior to, and immediately after, the effective date of the amendment, and determined that the modification did not result in a substantial change to the terms of the original Series A Preferred Stock. Under US GAAP, a new effective interest rate was determined and the carrying value of the Series A Preferred Stock remained unchanged.

Pursuant to the Certificate of Designations of Series A Preferred Stock governing the terms of the Series A Preferred Stock, these Preferred Stocks cannot be convertible into shares of the Company's Common Stock, and have no voting rights. The term of the Preferred Stocks commenced on March 31, 2020 and ends on March 31, 2025; at the Company's option, these Preferred Stocks may be redeemed at an earlier date (collectively, Redemption Date). In March 2022, the Board declared cash dividends of $6.3 million to holders of the Series A Preferred Stock based on the applicable coupon rates for stocks held during the twelve months ended March 31, 2022. Future dividends will be accrued at the amended coupon rate of 2.25% and will be cumulative regardless of whether the Company has earnings, whether there are funds legally available therefore and/or whether declared. Upon redemption, the Preferred Stocks will be redeemed at an amount equal to the Par Value of such Preferred Stocks plus any dividends accrued but unpaid through the Redemption Date (Redemption Price).

The Preferred Stocks are accounted for as mandatorily redeemable financial instruments under ASC 480 and are classified as liabilities. These Preferred Stocks are initially recognized at Par Value, which approximate their fair value and will be subsequently measured at their Redemption Price as of each reporting date.

The outstanding balance of the Preferred Stocks was approximately $280 million at March 31, 2022 and 2021, respectively.

Note 16. Related Party Transactions

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

Companies where control exists:

- Lupin Limited, India (Ultimate Parent Company)
- Nanomi BV, The Netherland (Direct Parent Company)

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

- Lupin Pharma Canada Ltd., Canada (LPCL)
- Lupin Atlantis Holdings S.A. Switzerland (LAHSA)
- Laboratories Grin S.A. de C.V. Mexico (Labs Grin)
- Medquimica Industria Farmaceutica LTDA, Brazil (MIFL)
- Multicare Pharmaceuticals Inc., Philippines (Multicare)
- Generic Health Pty Ltd Australia (Generic)
- Lupin Oncology Inc.
- Lupin GmbH, Switzerland (GmbH), Merged with (LAHSA)

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, asset transfers and tax sharing.

In the second Quarter, the Company's wholly owned subsidiary, Lupin Management, Inc., acquired 100% of the common stock of Lupin Latam, Inc. ("LATAM"), a related company wholly owned by Lupin Atlantis Holdings SA ("LAHSA"). As the transaction were between entities under common control (since ultimate parent is Lupin Limited), the transaction resulted in a change in the reporting entity, similar to the pooling-of-interests method. The transferred assets and liabilities are reflected at the historical cost and the financial statements are recast on a combined basis for all prior periods presented. The impact to the financials is immaterial.

The following represents related party sales (*in thousands*):

	Year Ended March 31,	
	2022	**2021**
Sales to LL	$ 15,194	$ 25,515
Sales to LAHSA	3,413	1,631
Sales to MIFL	406	541
Sales to Labs Grin	451	554
Sales to Nanomi BV	1,779	1,849
Sales to Generic	358	470
Sales to Multicare	303	279
Sales to LPCL	106	224
Related party sales	$ 22,010	$ 31,063

In addition to the related party sales noted above, the Company earned an additional $4.3 million and $1.9 million in other revenues from related party sales for management services for the year ended March 31, 2022 and 2021, respectively.

The following represents related party purchases (*in thousands*):

	Year Ended March 31,	
	2022	2021
Purchases from LL	$ 352,926	$ 433,599
Purchases from LAHSA	30	14,190
Purchases from GmbH	—	146
Purchases from LPCL	80	111
Related party purchases	$ 353,036	$ 448,046

The following represents due from/to balances with related parties (*in thousands*):

	March 31, 2022	March 31, 2021
Due from LL	$ 15,125	$ 9,649
Due from LAHSA	2,790	442
Due from MIFL	321	64
Due from Labs Grin	177	476
Due from Multicare	84	90
Due from LPCL	28	245
Due from Generic	141	279
Due from Nanomi BV	578	1,659
Due from Oncology	15	—
Intercompany receivables	$ 19,259	$ 12,904

	March 31, 2022	March 31, 2021
Due to LL	$ 259,668	$ 291,161
Due to LAHSA	21	6,203
Due to Multicare	—	28
Due to MIFL	—	85
Due to LPCL	38	39
Intercompany payables	$ 259,727	$ 297,516

Note 17. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions, which 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, 2022 and 2021, the Company made matching contributions of $1.9 million and $2.3 million, respectively.

Note 18. Subsequent Events

The Company evaluates events or transactions that occur after the consolidated balance sheet date but prior to the issuance of consolidated financial statements. On April 21, 2022, the Company entered into a $25 million short-term credit facility (the Facility) with MUFG Bank, Ltd., Singapore Branch. Loan advances drawn under the Facility bear interest rate of corresponding SOFR plus 100 bps per annum. No other subsequent events have occurred through May 10, 2022, that require adjustment to or disclosure in the consolidated financial statements.