



**LUPIN LATAM, INC.**  
**Financial Statements**  
**As of and for the Years Ended**  
**March 31, 2020 and 2019**

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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, 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, 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 30, 2020

**LUPIN LATAM, INC.**  
**BALANCE SHEETS**

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 417,592	\$ 646,114
Intercompany receivables	948,429	648,068
Prepaid expenses and other current assets	25,669	30,166
Total current assets	1,391,690	1,324,348
Property, plant, and equipment, net	2,175	2
Deferred tax assets	52,206	30,581
Total assets	<u>\$ 1,446,071</u>	<u>\$ 1,354,931</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,090	\$ 62,028
Accrued expenses	637,612	478,255
Income taxes payable	45,893	38,963
Intercompany payables	96,582	182,641
Intercompany debt	225,000	—
Total current liabilities	1,010,177	761,887
Intercompany long term debt	—	300,000
Other liabilities	153,820	106,739
Total liabilities	<u>1,163,997</u>	<u>1,168,626</u>
Stockholder's equity:		
Common stock	1	1
Additional paid-in capital	200,000	200,000
Retained earnings	82,073	(13,696)
Total stockholder equity	282,074	186,305
Total liabilities and stockholder equity	<u>\$ 1,446,071</u>	<u>\$ 1,354,931</u>

See accompanying notes to financial statements.

**LUPIN LATAM, INC.**  
**STATEMENTS OF OPERATIONS**

	<b>Year Ended Mar 31,</b>	
	<b>2020</b>	<b>2019</b>
Service revenue	\$ 3,200,571	\$ 2,662,907
Operating expenses	3,039,738	2,527,657
Income from operations	160,833	135,250
Interest expense, net	8,859	9,429
Income from operations before income tax	151,974	125,821
Income tax expense	56,205	159,229
Net income (loss)	<u>\$ 95,769</u>	<u>\$ (33,408)</u>

See accompanying notes to financial statements.

**LUPIN LATAM, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY**

	Common Stock, \$0.001 Par Value		Additional Paid-in Capital	Retained Earnings	Total Stockholder Equity
	Shares	Amount			
Balance at April 1, 2018	1,000	\$ 1	\$ 200,000	\$ 19,712	\$ 219,713
Net loss	—	—	—	(33,408)	(33,408)
Balance at March 31, 2019	1,000	\$ 1	\$ 200,000	\$ (13,696)	\$ 186,305
Net income	—	—	—	95,769	95,769
Balance at March 31, 2020	1,000	\$ 1	\$ 200,000	\$ 82,073	\$ 282,074

See accompanying notes to financial statements.

**LUPIN LATAM, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>		
Net income (loss)	\$ 95,769	\$ (33,408)
Adjustments to reconcile net income(loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	1,087	2,386
Deferred income taxes	(21,625)	(32,604)
Changes in operating assets and liabilities:		
Intercompany receivables	(300,361)	38,616
Prepaid expenses and other assets	4,497	77,312
Accounts payable	(56,938)	57,028
Accrued expenses and other liabilities	206,438	56,926
Intercompany payables	(86,059)	(141,350)
Income taxes receivable/payable	6,930	53,260
Net cash (used in) provided by operating activities	<u>(150,262)</u>	<u>78,166</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,260)	—
Net cash used in investing activities	<u>(3,260)</u>	<u>—</u>
<b>Financing activities</b>		
Repayment of intercompany debt	(75,000)	—
Net cash used in financing activities	<u>(75,000)</u>	<u>—</u>
Net change in cash and cash equivalents	(228,522)	78,166
Cash and cash equivalents—beginning of period	646,114	567,948
Cash and cash equivalents—end of period	<u>\$ 417,592</u>	<u>\$ 646,114</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 18,327	\$ 9,119
Cash paid for taxes	\$ 70,900	\$ 138,573

See accompanying notes to financial statements.

**LUPIN LATAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2020 and 2019**

**Note 1. Organization and Description of the Business**

Lupin Latam, Inc. (the Company) was incorporated in the United States of America (USA) under the Laws of the State of Delaware on December 15, 2016. The Company commenced operations on January 1, 2017. The Company is a consolidated subsidiary of Lupin Atlantis Holdings SA (LAHSA), which is wholly owned by Lupin Limited (LL), the Company's ultimate parent company. The Company's core business is to provide advisory, distribution and managerial services in the pharmaceutical sector for identification of new products, technologies and therapies within Mexico and Brazil on behalf of its parent and ultimate parent. The Company records expenditures when incurred and through transfer pricing agreements with related parties, namely, Lupin Limited (LL), Lupin Inc. (LI), Laboratories Grin, S.A. de C.V., Mexico (Laboratories Grin), and Medquimica Industria Farmaceutica Ltda, Brazil (Medquimica). The Company is reimbursed based upon actual cost plus 6 percent margin, with the exception of pass through expense, which is reimbursed without profit margin.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

**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.

**LUPIN LATAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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### 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, 2020 and 2019, 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:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Payroll and benefits	\$ 53,381	\$ 51,527
Bonus and incentives	504,156	400,203
Other expenses	80,075	26,525
Accrued expenses	<u>637,612</u>	<u>478,255</u>

### 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 \$151,974 and \$125,821 for the years ended March 31, 2020 and 2019, respectively, and were generated entirely in the United States.

**LUPIN LATAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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Income tax provision consists of:

	<b>Year Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Current provision:</b>		
U.S. federal	\$ 62,898	\$ 69,328
U.S. state	14,932	17,032
Foreign	—	105,473
<b>Total current provision</b>	<b>77,830</b>	<b>191,833</b>
<b>Deferred benefit:</b>		
U.S. federal	(18,477)	(27,530)
U.S. state	(3,148)	(5,074)
<b>Total deferred benefit</b>	<b>(21,625)</b>	<b>(32,604)</b>
<b>Total current and deferred provision</b>	<b>\$ 56,205</b>	<b>\$ 159,229</b>

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

	<b>Year Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Income before income tax	\$ 151,974	\$ 125,821
Statutory tax rate	21.00 %	21.00 %
Income tax provision at statutory rate	31,915	26,422
U.S. state tax provision	8,648	8,381
	40,563	34,803
Increase in income tax expense resulting from:		
Non-deductible expenses and other	15,642	18,953
Foreign withholding taxes	—	105,473
<b>Income tax expense</b>	<b>\$ 56,205</b>	<b>\$ 159,229</b>

The Company's global parent company, LL, provides for a Lupin Subsidiary Companies Employees Stock Option Plan ("ESOP") for some of its key employees. The Company was charged for these expenses. The tax effect of the ESOP of \$14,146 and \$17,571 for the years ended March 31, 2020 and 2019, respectively, are reflected in the income tax expense due to the non-deductibility of those expenses.

The Company provides various oversight and management services to its foreign affiliates, including Medquimica. 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 foreign withholding taxes of \$105,473 for the year ended March 31, 2019 was a significant portion of the Company's effective income tax rate of 126.55%. However, beginning in the year ended March 31, 2020, the Company receives payments for these services, but no longer bears the costs of these withholding taxes. Therefore, the Company recognized no foreign withholding tax expense in the year ended March 31, 2020.

The Coronavirus Act, Relief, and Economic Security Act ("CARES" Act) was enacted on March 27, 2020. The Company assessed the income tax implications related to the CARES Act and concluded that it does not have a significant impact to the Company's income taxes. The Company specifically analyzed Section 2306 of the CARES Act, which modifies the business interest limitation from 30% to 50% of adjusted taxable income. The modification does not impact the Company's income taxes.

**LUPIN LATAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax assets:</b>		
Accrued payroll related liabilities	\$ 58,115	\$ 37,083
Other	690	1,002
Total net deferred tax assets	58,805	38,085
<b>Deferred tax liabilities:</b>		
Prepaid expenses	6,353	7,504
Other	246	—
Total net deferred tax liabilities	6,599	7,504
<b>Net deferred tax assets</b>	<b>\$ 52,206</b>	<b>\$ 30,581</b>

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company's current taxable position, the Company has concluded that it is more likely than not that the benefit of its deferred tax assets will be realized.

The Company files its corporate income tax returns in the United States and in the state of Florida. The federal and state income tax returns are generally subject to tax examinations for the three-year period from the date of their filing. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period. The Company is currently not under examination by any taxing authorities.

#### **Note 5. Related Party Transactions**

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

- LL (Parent Company)
- LAHSA (Direct Parent Company)
- Lupin Inc. (LI) (Sister Company)
- Laboratorios Grin, S.A. de C.V., Mexico (Laboratories Grin) (Sister Company)
- Medquimica Industria Farmaceutica Ltda, Brazil (Medquimica) (Sister Company)
- Lupin Pharmaceuticals, Inc. (LPI) (Sister Company)
- Lupin Research Inc. (LRI) (Sister Company)

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

The following represents service revenues from related parties:

	<b>Year Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Service revenues from LL	\$ 1,021,848	\$ 962,535
Service revenues from Medquimica	1,080,820	847,054
Service revenues from Laboratories Grin	1,097,903	853,318
Service revenues from Related parties	<u>3,200,571</u>	<u>2,662,907</u>

**LUPIN LATAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following represents related party purchases:

	<b>Year Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Purchases from LI	322,720	336,001
Purchases from LL	\$ 133,179	\$ 83,672
Purchases from Medquimica	60,962	—
Purchases from LPI	27,225	16,730
Purchases from LAHSA	8,859	9,429
Purchases from LRI	—	4,208
Related party purchases	<u>\$ 552,945</u>	<u>\$ 450,040</u>

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

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Due from LL	\$ 351,638	\$ 219,805
Due from Medquimica	333,994	211,009
Due from Laboratories Grin	262,758	217,254
Due from LAHSA	39	—
Intercompany receivables	<u>\$ 948,429</u>	<u>\$ 648,068</u>
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Due to Medquimica	\$ 57,959	\$ —
Due to LL	21,022	24,085
Due to LI	16,358	145,269
Due to LPI	1,243	3,858
Due to LAHSA	—	9,429
Intercompany payables	<u>\$ 96,582</u>	<u>\$ 182,641</u>

On April 13, 2017, the Company entered into a loan agreement with LAHSA for \$300,000. The loan matures and is payable on December 31, 2020. The Company made payments of \$75,000 for the loan during the year ended March 31, 2020. Interest is accrued on the loan at the effective rate of 3.1%. The Company incurred interest expense of \$8,859 and \$9,429 for the years ended March 31, 2020 and 2019, 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, 2020 and 2019, the Company made matching contributions of \$52,024 and \$35,430, 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 30, 2020 that require adjustment to or disclosure in the Company's financial statements.