



Lupin Pharmaceuticals, Inc.

Lupin Pharmaceuticals, Inc.

Financial Statements

As of and For the Year Ended

March 31, 2017

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

Independent Auditors' Report

The Board of Directors and Stockholders
Lupin Pharmaceuticals, Inc.:

We have audited the accompanying financial statements of Lupin Pharmaceuticals, Inc., which comprise the balance sheet as of March 31, 2017, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lupin Pharmaceuticals, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 18, 2017

LUPIN PHARMACEUTICALS, INC.
BALANCE SHEET

March 31, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,168,544
Restricted cash	100,723
Accounts receivable, net	446,193,976
Intercompany receivables	30,499,011
Intracompany receivables	20,994,091
Inventories, net	189,238,713
Income tax receivable	2,497,152
Prepaid expenses and other current assets	9,285,778
Total current assets	709,977,988
Property, plant and equipment, net	3,236,744
Deferred income taxes	17,930,716
Total assets	\$ 731,145,448
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 17,719,286
Accrued expenses	16,202,344
Intercompany payables	480,960,480
Intracompany payables	11,206,820
Income taxes payable	5,638,115
Other current liabilities	162,095,554
Total current liabilities	693,822,599
Long term legal reserve	10,000,000
Total liabilities	703,822,599
Commitments and contingencies	
Stockholders' equity:	
Common stock	1
Additional paid-in capital	9,999,999
Retained earnings	17,322,849
Total stockholders' equity	27,322,849
Total liabilities and stockholders' equity	\$ 731,145,448

See accompanying notes to financial statements.

LUPIN PHARMACEUTICALS, INC.
STATEMENT OF OPERATIONS

	Year Ended March 31, 2017
Product revenues	\$ 1,189,190,703
Service and other revenues	53,191,788
Total revenues	<u>1,242,382,491</u>
Costs and expenses:	
Cost of revenues	1,171,059,253
Selling, general and administrative	39,829,621
Litigation related contingencies	10,000,000
Income from operations	<u>21,493,617</u>
Interest income, net	16,524
Other income, net	159,968
Income from operations before income tax	<u>21,670,109</u>
Income tax expense	8,101,218
Net income	<u>\$ 13,568,891</u>

See accompanying notes to financial statements.

LUPIN PHARMACEUTICALS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock, \$0.001 Par Value		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at April 1, 2016	1,000	\$ 1	\$ 9,999,999	\$ 18,753,958	\$ 28,753,958
Net income	—	—	—	13,568,891	13,568,891
Dividends paid	—	—	—	(15,000,000)	(15,000,000)
Balance at March 31, 2017	1,000	\$ 1	\$ 9,999,999	\$ 17,322,849	\$ 27,322,849

See accompanying notes to financial statements.

LUPIN PHARMACEUTICALS, INC.
STATEMENT OF CASH FLOWS

	Year Ended March 31, 2017
Operating activities:	
Net income	\$ 13,568,891
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation of property and equipment	1,613,071
Deferred income taxes	(11,864,281)
Changes in operating assets and liabilities:	
Accounts receivable	98,226,610
Intercompany receivables	2,056,672
Inventories	(31,181,245)
Prepaid expenses and other assets	(6,277,511)
Accounts payable	10,411,252
Accrued expenses and other liabilities	(18,509,170)
Intercompany payables	(54,343,922)
Income taxes payable	3,326,816
Net cash provided by operating activities	7,027,183
Investing activities:	
Purchase of property and equipment	(579,681)
Earnings on restricted cash	(44)
Net cash used in investing activities	(579,725)
Financing activities:	
Dividends paid	(15,000,000)
Debt repayments	(35,000,000)
Net cash used in financing activities	(50,000,000)
Net decrease in cash and cash equivalents	(43,552,542)
Cash and cash equivalents—beginning of period	54,721,086
Cash and cash equivalents—end of period	\$ 11,168,544
SUPPLEMENTAL INFORMATION	
Cash paid for interest	\$ 19,514
Cash paid for taxes	\$ 9,720,659

See accompanying notes to financial statements.

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. Organization and Description of the Business

Lupin Pharmaceuticals, Inc. (the Company) was incorporated in the United States of America under the Laws of the State of Virginia on June 30, 2003 as a Maryland corporation and converted to a Delaware corporation on March 8, 2016. The Company is a consolidated subsidiary of Lupin Inc. (LI), who is wholly owned by Lupin Atlantis Holdings SA (LAHSA), who is wholly owned by Lupin Limited (LL), the Company's ultimate parent company. The Company's core business as a limited risk distributor is to trade in pharmaceutical products and to render marketing and ancillary services related thereto.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Revenue Recognition

Product revenues

Our net product sales consist of revenues from sales of our pharmaceutical products, less estimates for chargebacks, rebates, sales incentives and allowances, certain royalties, distribution service fees, returns and allowances as well as fees for services. We recognize revenue for product sales when title and risk of loss has passed to the customer, which is typically upon delivery to the customer, when estimated provisions for revenue reserves are reasonably determinable, and when collectability is reasonably confirmed. Revenue from the launch of a new or significantly unique product, for which we are unable to develop the requisite historical data on which to base estimates of returns and allowances due to the uniqueness of the therapeutic area or delivery technology as compared to other products in our portfolio and in the industry, may be deferred until such time that an estimate can be determined, all of the conditions above are met and when the product has achieved market acceptance, which is typically based on dispensed prescription data and other information obtained prior to and during the period following launch.

Service and other revenues

Product royalties received from third-party collaboration partners and licensees of our products and patents are recorded as part of total revenues. Royalties are recognized as earned in accordance with the contract terms when royalties from third parties can be reasonably estimated and collectability is reasonably assured. If royalties cannot be reasonably estimated or collectability of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Receivables, net

Trade accounts receivable are recorded at the invoiced amount net of certain chargebacks, sales incentives and allowances, and do not bear interest.

Cash and Cash Equivalents

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

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Intercompany and Intracompany Receivables and Payables

Intercompany receivables and payables represent balances due to and due from related parties which are outside of the United States. Intracompany receivables and payables represent balances due to and due from related parties which are within the United States.

Inventories, net

Inventories, net are valued at the lower of cost or market. The cost of all inventories is determined using a weighted average costing method. Inventories consist of currently marketed products, as well as certain inventories produced in preparation for product launches that are considered to have a high probability of regulatory approval.

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.

Other Income

Other income is comprised of related party billings for management fees and commission income for the sale of product from outside contracts.

Income Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.

Legal Contingencies

The Company records accruals for contingencies as costs 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.

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 our revenue from sales to US-based supply chain distributors, pharmacies, etc. We currently have the following companies that represent more than ten percent of revenue and accounts receivable as of March 31, 2017: AmerisourceBergen Health Corp, McKesson Financial Center, CVS and Cardinal Health.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new standard replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Company is currently assessing the impacts this guidance may have on their financial statements and disclosures as well as the transition method that they will use to adopt the guidance. In August 2015, the FASB issued an amendment to provide a one year deferral of the effective date to annual reporting periods beginning on or after December 15, 2018, as well as an option to early adopt the standard for annual periods beginning on or after December 15, 2016. The Company does not plan to early adopt the standard.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying of the Measurement of Inventory*. The standard requires inventory to be measured at the lower of cost or net realizable value. The new guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This definition is consistent with existing authoritative guidance. Current guidance requires inventory to be measured at the lower of cost or market where market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. The guidance is effective for periods beginning after December 15, 2016 with early adoption permitted. The guidance is required to be applied prospectively. The Company is currently evaluating the impact that the standard will have on the Company's financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact the standard may have on the Company's financial statements and related disclosures.

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

Note 3. Accounts Receivable, net

The composition of accounts receivable, net is as follows:

	March 31, 2017	
Gross accounts receivable	\$	699,743,494
Less: chargeback reserve		(101,957,557)
Less: indirect reserve		(45,937,536)
Less: price protection		(7,804,243)
Less: billback reserve		(77,498,117)
Less: distribution services reserve		(3,376,703)
Less: discount reserve		(13,787,682)
Less: POS couponing		(3,187,678)
Accounts receivable, net	\$	446,193,976

LUPIN PHARMACEUTICALS, INC.
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2017

Note 4. Inventories, net

Inventories consist of:

	March 31, 2017
Work in process	\$ 3,349
Finished Goods	202,937,527
	202,940,876
Less: net realizable value reserve	(13,702,163)
Inventory, net	\$ 189,238,713

Note 5. Property, Plant and Equipment, net

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

	March 31, 2017
Buildings	\$ 2,198,700
Computers and equipment	2,428,839
Furniture and fixtures	1,458,651
Software	3,186,657
Construction in process	320,890
	9,593,737
Less: accumulated depreciation	(6,356,993)
Property, plant and equipment, net	\$ 3,236,744

Depreciation expense was \$1,613,071 for the year ended March 31, 2017.

Note 6. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2017
Product costs	\$ 51,490
Bonus and incentives	4,886,824
Selling, general and administrative	4,256,208
Partner payouts	3,878,064
Freight	2,293,981
Payroll and benefits	835,777
Accrued expenses	\$ 16,202,344

Note 7. Commitments and Contingencies

Operating Leases

The Company leases office premises and vehicles which are classified as operating leases. Rent expense under operating leases for the year ended March 31, 2017 was \$1,709,067. Rent expense is recorded in selling, general and administrative expense on the statement of operations.

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

2018	\$ 1,709,339
2019	1,616,692
2020	790,577
2021	—
2022	—
Thereafter	—
Total	\$ 4,116,608

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Legal Proceedings

The Texas Attorney General's office served the Company with several Civil Investigative Demands beginning May 29, 2012 and continuing through 2016. The State of Texas filed a lawsuit against the Company, LL, LI and certain executives on June 14, 2016 (the "Original Lawsuit") alleging violations of the Texas Medicaid Fraud Prevention Act (TMFPA). Texas voluntarily dismissed the Original Lawsuit on November 29, 2016. On December 2, 2016, a substantially similar lawsuit (the "Current Lawsuit") was filed by a private party, and Texas intervened as an additional plaintiff in the Current Lawsuit. The Current Lawsuit is titled State of Texas ex rel Express Med Pharmaceuticals vs. Lupin Pharmaceuticals, Lupin Ltd., Lupin Inc., Vinita Gupta and Robert Hoffman. On April 11, 2017, LL and LI filed a motion to dismiss based on lack of personal jurisdiction and the other defendants filed a general denial. A Third Amended Petition filed on April 12, 2017 added Gavis Pharmaceuticals, LLC as an additional defendant.

There are no active settlement discussions, and there are no open offers from either party. Texas' original demand to Lupin was \$165,000,000. Their last counteroffer, on June 7, 2016 was a demand of \$81,000,000 in response to Lupin's June 6, 2016 offer to pay \$10,000,000. A formal settlement conference was held September 20, 2016 and neither party revised their previous positions. On May 17, 2017, the Company received Texas' Responses to Defendants' Request for Disclosure. In the section for Amount and Method of Calculating Remedies, Texas stated that it is entitled to recover the entire amount that it spent reimbursing Texas pharmacies for the identified drugs in the amount of \$214,000,000. The Company has a \$10,000,000 reserve established for the claim.

Note 8. Income Taxes

The Company's income before income taxes was \$21,670,109 for the twelve months ended March 31, 2017, and was generated entirely in the United States.

Income tax expense consists of:

	For the Year Ended March 31, 2017
Current provision:	
U.S. federal	\$ 18,529,054
U.S. state and local	1,436,445
Total current provision	19,965,499
Deferred benefit:	
U.S. federal	(11,208,464)
U.S. state and local	(655,817)
Total deferred benefit	(11,864,281)
Total current and deferred provision	\$ 8,101,218

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

	For the Year Ended March 31, 2017
Income before income tax	\$ 21,670,109
Statutory tax rate	35 %
Income tax provision at statutory rate	7,584,538
U.S. state tax provision	411,220
	7,995,758
Increase (decrease) in income tax provision resulting from:	
Non-deductible expenses	373,017
Other adjustments	122,553
R&D tax credits (net of reserve)	(389,930)
Income tax expense	\$ 8,101,218

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 tax assets are related to accounts receivable (principally due to returns and allowances, as well as price protection adjustments), and litigation reserve. The temporary differences that give rise

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

to significant portions of the deferred tax liabilities at March 31, 2017 are related to leasehold improvements and equipment (principally due to differences in depreciation), as well as prepaid expenses.

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company's history of taxable income since inception, the Company has concluded that it is more likely than not that the benefit of its deferred tax assets will be realized. Accordingly, the Company has not placed any valuation allowance on its deferred tax assets.

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

	<u>March 31, 2017</u>
Deferred tax assets:	
Accounts receivable – returns/allowances	\$ 11,282,982
Accounts receivable – price protection	2,950,056
Litigation reserve	3,780,067
Accrued payroll related liabilities	886,190
Other	795,607
Total net deferred tax assets	\$ 19,694,902
Deferred tax liabilities:	
Depreciation	\$ 790,710
Prepaid	866,265
Other	107,261
Total net deferred tax liabilities	\$ 1,764,186
Net deferred tax asset	\$ 17,930,716

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

Note 9. Related Party Transactions

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

Companies where control exists:

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

Other related parties having transactions with the Company's fellow subsidiaries:

- Lupin GmbH (GmbH)
- Lupin (Europe) Limited
- Gavis Pharmaceuticals, LLC (Gavis)
- Novel Laboratories, Inc. (Novel)
- Lupin Pharma Canada Limited (Canada)
- Hormosan Pharma GmbH
- Lupin Latam, Inc. (Latam)

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

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

The following represents related party sales:

	Year Ended March 31, 2017
Sales to LL	\$ 19,032,367
Sales to LAHSA	33,973,704
Sales to GmbH	35,199
Sales to Novel	91,580
Sales to Canada	42,144
Sales to Latam	16,794
Related party sales	<u>\$ 53,191,788</u>

The following represents related party purchases:

	Year Ended March 31, 2017
Purchases from LL	\$ 963,344,389
Purchases from LAHSA	166,211,018
Purchases from GmbH	904,528
Purchases from Novel	1,419,748
Related party purchases	<u>\$ 1,131,879,683</u>

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

	March 31, 2017
Due from LAHSA	\$ 16,056,871
Due from LL	13,850,000
Due from GmbH	344,696
Due from Canada	220,064
Due from Hormosan Pharma GmbH	10,586
Due from Latam	16,794
Intercompany receivables	<u>\$ 30,499,011</u>

	March 31, 2017
Due from LI	\$ 11,857,139
Due from Gavis	6,677,288
Due from Novel	2,459,664
Intracompany receivables	<u>\$ 20,994,091</u>

	March 31, 2017
Due to LAHSA	\$ 25,761,625
Due to LL	454,996,702
Due to GmbH	202,153
Intercompany payables	<u>\$ 480,960,480</u>

	March 31, 2017
Due to LI	\$ 11,106,904
Due to Novel	99,916
Intracompany payables	<u>\$ 11,206,820</u>

Note 10. 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 year ended March 31, 2017, the Company made matching contributions of \$857,898.

LUPIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 11. Gavis Acquisition

During the year ended March 31, 2016, the Company entered into a loan agreement for \$35,000,000 with a commercial bank, which was subsequently repaid during the year ended March 31, 2017.

Note 12. Subsequent Events

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



INDEPENDENT AUDITOR'S REPORT

Addressee

To: shareholder of Limited Liability Company "LUPIN PHARMA" and other users of financial statements.

Auditor

Audit organization Nordic Advisors OOO

- Registered address: Shpalernaya ulitsa 54 V, Saint Petersburg, Russia, 191015.
- State Registration Certificate: 78 007549860 dated October 29, 2009.
- Main State Registration Number (OGRN): 1097847305654.
- Number in the Russian Register of Auditors (ORNZ): 11606064625.
- Membership in self-regulating organization of auditors: Sodruzhestvo assotsiatsia.

Audited entity

Limited Liability Company "LUPIN PHARMA"

- Registered address: Nauchny proezd, 17, placement XXXIV, rooms 1-14, Moscow, Russia, 117246.
- Date of registration: February 11, 2016.
- Main State Registration Number (OGRN): 1167746155636.

Opinion

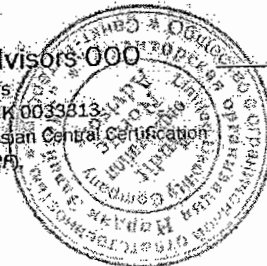
In our opinion the financial statements of Limited Liability Company "LUPIN PHARMA" present fairly, in all material respects, the financial position of the Company as of March 31st, 2017 and the results of its operations and its cash flows for the period from April 1st, 2016 till March 31st, 2017 in accordance with the Russian Accounting Standards.

The internal control system of the Company corresponds generally to the range and nature of its activity.

General Director

Audit organization Nordic Advisors OOO

Number in the Russian Register of Auditors
29901032324 (qualification certificate # K 0033813,
issued on December 30, 1999 by the Russian Central Certification
and Licensing Audit Committee (TsALAK RF),
renewed by TsALAK RF on April 14, 2003
for an indefinite period).



Zelenina E.A.

April 28th, 2017

LLC «Audit organization Nordic Advisors»
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Saint-Petersburg, 191015
phone. +7 812 325 82 94
fax +7 812 325 82 93

Member of
Association Commonwealth

Balance Sheet
As of December 31, 2016

Company Limited Liability Company «LUPIN PHARMA»
 Taxpayer's ID number _____
 Business activity Wholesale trading of pharmaceutical products
 Organization form Form of ownership
Limited Liability Company / Private ownership
 Currency: thousand RUR
 Location (address) _____
Nauchny proezd, 17, placement XXXIV, rooms 1-14, Moscow, 117246.

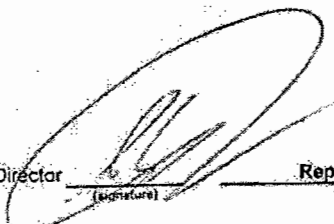
Form under OKUD	0710001		
Date (day, month, year)	31	12	2016
under OKPO	63815742		
Tax ID No.	7728330511		
under OKVED	46.46.1		
under OKOPF / OKFS	12300	16	
under OKEI	384		

Notes	Item	Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	-	-	-
	Results of research and development	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
	Fixed assets	1150	75	-	-
	Income-bearing investments in tangible assets	1160	-	-	-
	Financial investments	1170	-	-	-
	Deferred tax assets	1180	1 922	-	-
	Other non-current assets	1190	-	-	-
	Total section I	1100	1 997	-	-
	II. CURRENT ASSETS				
	Inventories	1210	-	-	-
	Value-added tax on acquired assets	1220	271	-	-
	Receivables	1230	450	-	-
	Financial investments (except for monetary equivalents)	1240	-	-	-
	Cash and cash equivalents	1250	22 429	-	-
	Other current assets	1260	567	-	-
	Total section II	1200	23 717	-	-
	BALANCE	1600	25 714	-	-



Notes	Item	Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	LIABILITIES				
	III. EQUITY AND RESERVES				
	Authorized capital	1310	100	-	-
	Treasury stock	1320	-	-	-
	Non-current asset revaluation	1340	-	-	-
	Capital surplus (without revaluation)	1350	33 106	-	-
	Reserve capital	1360	-	-	-
	Retained earnings	1370	(7 629)	-	-
	Total section III	1300	25 577	-	-
	IV. LONG-TERM LIABILITIES				
	Loans	1410	-	-	-
	Deferred tax liabilities	1420	15	-	-
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total section IV	1400	15	-	-
	V. SHORT-TERM LIABILITIES				
	Loans	1510	-	-	-
	Payables	1520	44	-	-
	Prepaid income	1530	-	-	-
	Estimated liabilities	1540	77	-	-
	Other liabilities	1550	-	-	-
	Total section V	1500	122	-	-
	BALANCE	1700	25 714	-	-

General Director



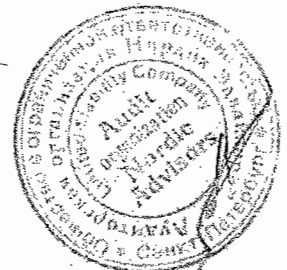
(signature)

Repahe Mitya

(name)



February 13, 2017



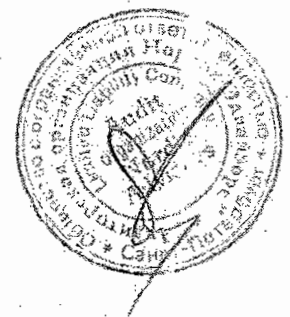
Financial Results Statement

January - December 2016

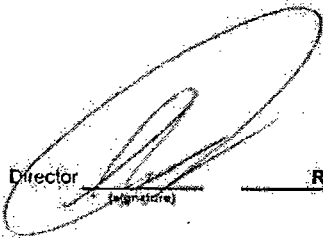
<p>Company <u>Limited Liability Company «LUPIN PHARMA»</u></p> <p>Taxpayer's ID number _____</p> <p>Business activity <u>Wholesale trading of pharmaceutical products</u></p> <p>Organization form / Form of ownership <u>Limited Liability Company / Private ownership</u></p> <p>Currency: <u>Thousand RUR</u></p>	<p>Form under OKUD _____</p> <p>Date (day, month, year) <u>31 12 2016</u></p> <p>under OKPO _____</p> <p>Tax ID No. <u>7728330511</u></p> <p>under OKVED _____</p> <p>under OKOPF / OKFS _____</p> <p>under OKEI _____</p>
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Codes		
0710002		
31	12	2016
53815742		
7728330511		
46.46.1		
12300	16	
384		

Notes	Item	Code	January - December 2016	January - December 2015
	Revenue	2110	-	-
	Cost of goods sold	2120	-	-
	Gross profit (loss)	2100	-	-
	Selling expenses	2210	(18)	-
	Administrative expenses	2220	(9 697)	-
	Sales profit (loss)	2200	(9 715)	-
	Income from participation in other organizations	2310	-	-
	Interest receivable	2320	-	-
	Interest payable	2330	-	-
	Other income	2340	14 756	-
	Other expenses	2350	(14 577)	-
	Profit (loss) before taxation	2300	(9 536)	-
	Current profit tax	2410	-	-
	including constant tax liabilities (assets)	2421	-	-
	Change of deferred tax liabilities	2430	(15)	-
	Change of deferred tax assets	2450	1 922	-
	Other	2460	-	-
	Net profit (loss)	2400	(7 629)	-



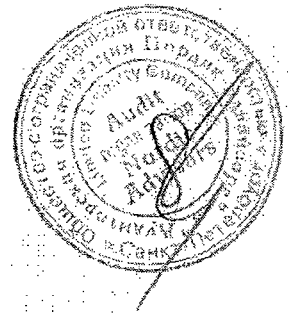
Notes	Item	Code	January - December 2016	January - December 2015
	INFORMATIVE			
	Result from revaluation of non-current assets, not included on net profit (loss) of the period	2510	-	-
	Result from other transactions, not included in net profit (loss) of the period	2520	-	-
	Total financial result of the period	2500	(7 829)	-
	Basic earnings (loss) per common share	2900	-	-
	Diluted earnings (loss) per common share	2910	-	-

Director


Repshe Mitya
(name)



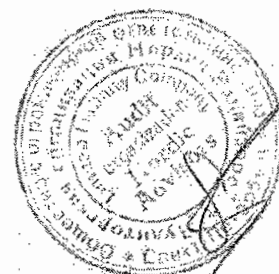
February 13, 2017



Balance Sheet
As of March 31, 2017

Company	<u>Limited Liability Company «LUPIN PHARMA»</u>	Form under OKUD	Codes		
Taxpayer's ID number		Date (day, month, year)	31	03	2017
Business activity	<u>Wholesale trading of pharmaceutical products</u>	under OKPO	53815742		
Organization form / Form of ownership	<u>Limited Liability Company / Private ownership</u>	Tax ID No.	7728330511		
Currency:	<u>thousand RUR</u>	under OKVED	46.46.1		
Location (address)	<u>Nauchny proezd, 17, placement XXXIV, rooms 1-14, Moscow, 117245</u>	under OKOPF / OKFS	12300	16	
		under OKEI	384		

Notes	Item	Code	As of March 31, 2017	As of December 31, 2016	As of December 31, 2015
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	-	-	-
	Results of research and development	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
	Fixed assets	1150	67	75	-
	Income-bearing investments in tangible assets	1160	-	-	-
	Financial investments	1170	-	-	-
	Deferred tax assets	1180	2 856	1 922	-
	Other non-current assets	1190	-	-	-
	Total section I	1100	2 923	1 997	-
	II. CURRENT ASSETS				
	Inventories	1210	36 054	-	-
	Value-added tax on acquired assets	1220	4 040	271	-
	Receivables	1230	486	450	-
	Financial investments (except for monetary equivalents)	1240	-	-	-
	Cash and cash equivalents	1250	13 566	22 429	-
	Other current assets	1260	441	567	-
	Total section II	1200	54 587	23 717	-
	BALANCE	1600	57 510	25 714	-



Notes	Item	Code	As of March 31, 2017	As of December 31, 2016	As of December 31, 2015
	LIABILITIES				
	III. EQUITY AND RESERVES:				
	Authorized capital	1310	100	100	
	Treasury stock	1320	-	-	
	Non-current asset revaluation	1340	-	-	
	Capital surplus (without revaluation)	1350	33 106	33 106	
	Reserve capital	1360	-	-	
	Retained earnings	1370	(11 375)	(7 629)	
	Total section III	1300	21 831	25 577	
	IV. LONG-TERM LIABILITIES				
	Loans	1410	-	-	
	Deferred tax liabilities	1420	13	15	
	Estimated liabilities	1430	-	-	
	Other liabilities	1450	-	-	
	Total section IV	1400	13	15	
	V. SHORT-TERM LIABILITIES				
	Loans	1510	-	-	
	Payables	1520	35 650	44	
	Prepaid income	1530	-	-	
	Estimated liabilities	1540	7	77	
	Other liabilities	1550	-	-	
	Total section V	1500	35 666	122	
	BALANCE	1700	57 510	25 714	

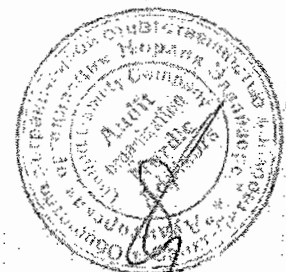
General Director

(signature)

Repshe Mitya

(name)

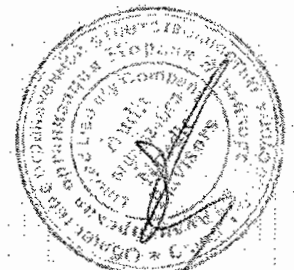
April 17, 2017



Financial Results Statement
January - March 2017

Company	Limited Liability Company «LUPIN PHARMA»	Form under OKUD	Codes 0710002		
Taxpayer's ID number		Date (day, month, year)	31	03	2017
Business activity	Wholesale trading of pharmaceutical products	under OKPO	53815742		
Organization form / Form of ownership	Limited Liability Company / Private ownership	Tax ID No.	7728330511		
Currency	Thousand RUR	under OKVED	46.45.1		
		under OKOPF / OKFS	12300	16	
		under OKEI	384		

Notes	Item	Code	January - March 2017	January - March 2016
	Revenue	2110	230	--
	Cost of goods sold	2120	(226)	--
	Gross profit (loss)	2100	4	--
	Selling expenses	2210	(64)	--
	Administrative expenses	2220	(4 487)	--
	Sales profit (loss)	2200	(4 547)	--
	Income from participation in other organizations	2310	--	--
	Interest receivable	2320	--	--
	Interest payable	2330	--	--
	Other income	2340	9 490	--
	Other expenses	2350	(9 622)	(9)
	Profit (loss) before taxation	2300	(4 679)	(9)
	Current profit tax	2410	--	--
	including constant tax liabilities (assets)	2421	--	--
	Change of deferred tax liabilities	2430	2	--
	Change of deferred tax assets	2450	934	2
	Other	2460	(2)	--
	Net profit (loss)	2400	(3 745)	(7)



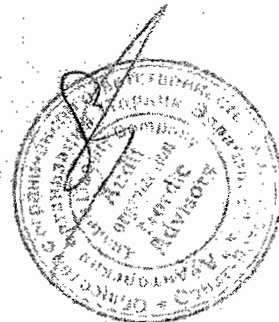
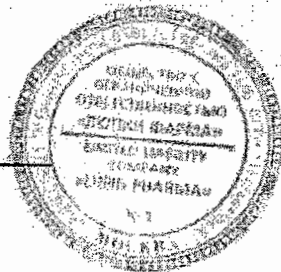
Notes	Item	Code	January - March 2017	January - March 2016
	INFORMATIVE			
	Result from revaluation of non-current assets, not included on net profit (loss) of the period	2510		
	Result from other transactions, not included in net profit (loss) of the period	2520		
	Total financial result of the period	2500	(3 745)	(7)
	Basic earnings (loss) per common share	2900		
	Diluted earnings (loss) per common share	2910		

Director

(signature)

Repshé Mitya

(name)



April 17, 2017