

**GLENMARK PHARMACEUTICALS
ECUADOR S.A.
Financial Statements and Independent
Auditor's Report**

At March 31, 2019



Russell Bedford
taking you further

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INDEPENDENT AUDITORS REPORT

To shareholders
GLENMARK PHARMACEUTICALS ECUADOR S.A.

Opinion

We have audited the financial statements of the **GLENMARK PHARMACEUTICALS ECUADOR S.A.** (an company incorporated in Ecuador), which comprise the statement of financial position statement as of March 31, 2019, and the statements of comprehensive operations, statement of changes in shareholder equity and statement of cash flow for the year then ended, and notes for the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **GLENMARK PHARMACEUTICALS ECUADOR S.A.** as of March 31, 2019; and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Bases for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **GLENMARK PHARMACEUTICALS ECUADOR S.A.** in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ecuador, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Going concern

As explained in Note 1 to the financial statements, the company commenced operations in May 2017 and, as of March 31, 2019, the Company has generated accumulated losses of US \$1,566,074 and which 44% corresponds to the last period; the parent company to mitigate the losses has made contributions for capital increases in US \$2,339,000. The accumulated losses are mainly due to the fact that the Company did not reach the expected sales volumes; competition in the pharmaceutical sector; to the decrease in the volumes of purchases by the Ecuadorian Government and the Ecuadorian Social Security Institute; to the discounts that are granted in the sales until achieving a positioning in the market and the high fixed costs that the Company has.

The Company, because the accumulated losses exceed 50% of the subscribed and paid capital and 100% of the reserves, is in cause of dissolution as established by the corporate dispositions. The Company to mitigate this situation has established certain plans to mitigate the situation and, in addition, the Headquarters has expressed its support until the Company obtains the break-even point and operates profitably. The financial statements have been prepared on the basis of continuity as a going concern; the financial statements do not include any adjustment in case the assets and liabilities cannot be settled in the normal course of their operations.



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Other information presented in addition to the separated financial statements

The management of the Company is responsible for the preparation of the other additional information, which includes the annual report of the Administration to the Shareholders' Meeting. It is expected that this information will be made available to us after the date of this report. In relation to our audit of the financial statements, our responsibility is to read the other Additional Information, when it is available at the date of issuance of our report, and, in doing so, consider whether there are significant inconsistencies with respect to the financial statements or the knowledge obtained by us during the audit or if it otherwise seemed to have important inconsistencies.

Our opinion about the financial statements of GLENMARK PHARMACEUTICALS ECUADOR S.A. does not cover the other additional information and we will not express any form of assurance or conclusion about it.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements Audit

Our objective are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

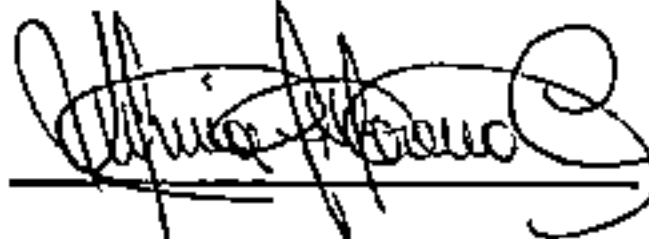
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to

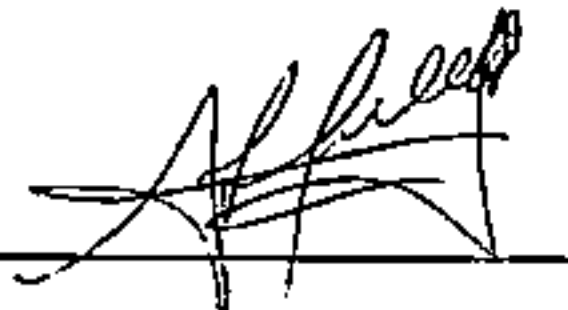
GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Financial Position
As of March 31, 2019, with comparative figures of 2018
(Expressed in United States dollars)

	Note	2019	2018
Shareholder equity:			
Share capital	8	1,689,800	1,689,800
Contributions future capitalizations		650,000	-
Accumulated deficits		(1,570,495)	(878,108)
Other comprehensive results		(42,886)	(51,321)
Total shareholder's equity		726,418	760,371
Assets and liabilities:			
Non-current assets:			
Gross block	9	141,134	129,868
Depreciation	9	(40,337)	(17,455)
Total non - current assets		100,797	112,413
Current assets:			
Inventories	10	426,069	550,012
Accounts receivable commercial and sundry debtors	11	1,748,637	727,577
Cash and cash equivalents	12	30,641	403,447
Prepaid expenses		15,677	5,677
Total current assets		2,221,025	1,686,713
Non-current liabilities:			
Employer retirement and eviction bonus	17	(90,852)	(67,311)
Total non - current liabilities		(90,852)	(67,311)
Current liabilities:			
Suppliers accounts payable	13	(378,394)	(191,187)
Related accounts payable	14	(896,734)	(609,929)
Current taxes payable	15	(20,480)	(10,935)
Provisions	16	(197,277)	(145,027)
Other accounts payable		(11,667)	(14,367)
Total current liabilities		(1,504,551)	(971,445)
Net assets		726,418	760,371


 Mauricio Rivadeneira
 Country Manager


 Silvia Moreno
 General Accountant


 Alex Hernández
 Financial Controller

The accompanying notes are an integral part of the financial statements.



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continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Quito, May 10, 2019


RUSSELL BEDFORD ECUADOR S.A.
R.N.A.E. No. 337



Ramiro Pinto F.
Partner
Professional License No. 17-352


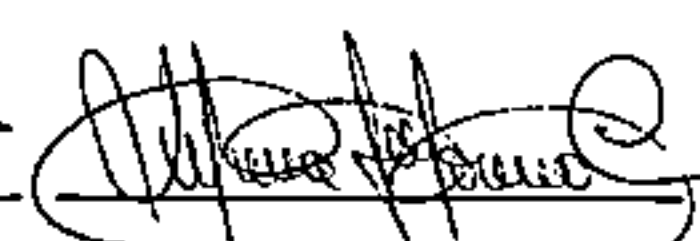

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Comprehensive Operations

For the year ended March 31, 2019, with comparative figures of the year 2018

(Expressed in United States dollars)

	Note	2019	2018
Income:			
Sales	18	3,497,885	3,048,439
Other income		33,630	-
		<u>3,531,295</u>	<u>3,048,439</u>
Expenses:			
Cost of sales	19	946,930	1,252,524
Operating and selling expenses	20	3,253,039	2,656,568
Depreciation and amortisation	20	23,713	17,455
		<u>4,223,682</u>	<u>3,926,547</u>
Deficit of the year		<u>(692,387)</u>	<u>(878,108)</u>

		
Mauricio Rivadeneira Country Manager	Silvia Moreno General Accountant	Alex Hernández Financial Controller

The accompanying notes are an integral part of the financial statements.


GLENMARK PHARMACEUTICALS ECUADOR S.A.

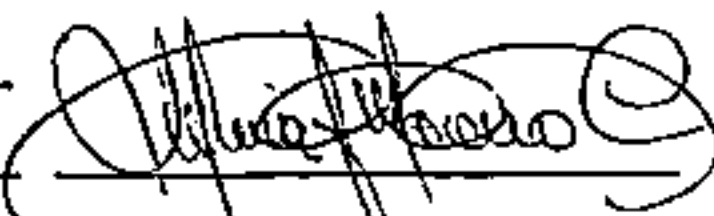
Statement of Cash Flows


For the year ended March 31, 2019, with comparative figures of the year 2018

(Expressed in United States dollars)

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Recived from clients	2.518.129	2.361.671
Payments to suppliers and other	(2.379.504)	(2.573.673)
Payment to employees	(1.150.165)	(943.683)
Net cash used for operating activities	<u>(1.011.539)</u>	<u>(1.155.686)</u>
Cash flow from investing activities:		
Additions of furniture and equipment	(11.266)	(129.868)
Net cash used for investing activities	<u>(11.266)</u>	<u>(129.868)</u>
Cash flow from financing activities:		
Cash contribution from the shareholders	650.000	1.689.000
Cash provided by financing activities:	<u>650.000</u>	<u>1.689.000</u>
Net increase in cash and cash equivalents	<u>(372.805)</u>	<u>403.447</u>
Cash and cash equivalents at the beginning of the year	<u>403.447</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>30.641</u>	<u>403.447</u>


Mauricio Rivadeneira
Country Manager


Silvia Moreno
General Accountant

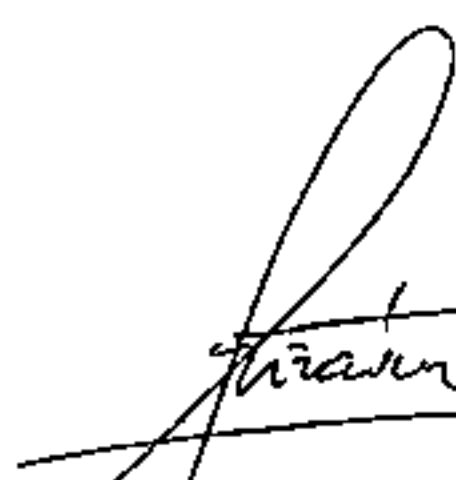
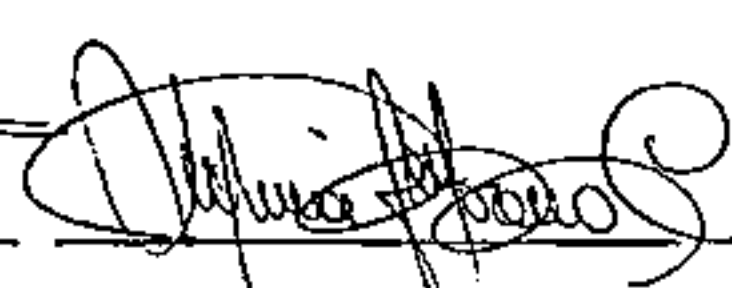


Alex Hernández
Financial Controller

The accompanying notes are an integral part of the financial statements.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Changes in Shareholders' Equity
For the year ended March 31, 2019, with comparative figures of the year 2018
(Expressed in United States dollars)

	Social capital	Contributions future capitalizations	Other comprehensive results	Accumulated deficits	Total
Balance at May 1, 2017	800	800,000	-	-	800,800
Increase in capital	1,689,000	(800,000)	-	-	889,000
Actuarial profit (loss)	-	-	(51,321)	-	(51,321)
Deficit of the year	-	-	-	(878,108)	(878,108)
Balance at March 31, 2018	1,689,800	-	(51,321)	(878,108)	760,371
Transference to accumulated results	-	-	-	-	-
Contributions for future capitalizations	-	650,000	-	-	650,000
Increase in capital	-	-	-	-	-
Actuarial profit (loss)	-	-	8,435	-	8,435
Deficit of the year	-	-	-	(892,387)	(892,387)
Balance at March 31, 2019	1,689,800	650,000	(42,886)	(1,670,495)	726,418

 <hr style="border: 0.5px solid black;"/> <p>Mauricio Rivadeneira Country Manager</p>	 <hr style="border: 0.5px solid black;"/> <p>Silvia Moreno General Accountant</p>	 <hr style="border: 0.5px solid black;"/> <p>Alex Hernández Financía Controller</p>
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The accompanying notes are an integral part of the financial statements.

NOTE 1 – OPERATIONS AND ECONOMIC ENVIRONMENT

Corporate Purpose

"GLENMARK PHARMACEUTICALS ECUADOR S.A." was incorporated in Quito on March 10, 2017 with the corporate purpose of importing, distributing, buying, selling, manufacturing, marketing, commissioning, manufacturing, processing and exporting chemical, biological, pharmaceutical, cosmetic and hospital products. The products commercialized by the company are sold in the national market in private and public companies.

The principal domicile of the Company is the city of Quito, Republic of Ecuador, and it has significant shareholders in Glenmark Pharmaceuticals Limited (Hindu Society), with 100% participation.

Operational facts

The Company started its operation at May, 2017, by 2018 and 2019 this company has incurred losses of US \$ 878,108 and US \$ 687.966, respectively, which has caused the Central Office to make cash contributions of US \$ 2,339,000.

The aforementioned situation is mainly due to the following:

- The Company has not been able to obtain the expected sales volumes, due to the high competition of the brand and generic products, which added to the contraction that exists in Ecuador due to the high indebtedness of the Ecuadorian Government and the lack of liquidity, which has caused a significant reduction in purchases of the public health sector.
- To significant sales and administration costs, which are added to the discount percentage.

In order to mitigate this situation to date, the Company has considered doing the following:

- Signed an exclusive distribution contract with "Leterago Ecuador S.A.", effective as of January 2019, with this new commercial alliance, the company will achieve greater coverage in the market segment in which the Company competes.
- Establish competitive business plans through discounts, bonuses and collection terms.
- The control and reduction of operating expenses.
- Obtain finance from the parent company during 2019 to cover operating expenses and outstanding obligations.

The management believes that the actions that are in process will cause a balance in its operating flow in the short and medium term and, in addition, if required, the parent company has expressed its support to the Company in order to continue as a going business.

Ecuadorian Economy

La Ecuador's economy in 2018 had a relative stability due to: (i) the increase in oil revenues from the second half of the year, due to the price of a barrel of oil, which according to the projections of 2019 is expected to average more than US \$ 50 per barrel, which will allow the Government have an additional income stream; and, (ii) actions that the Government has taken and are described in the following paragraphs.

Since May 2017, the current Government has eliminated certain measures adopted by the previous Government, among which are: (a) the establishment of maximum quotas for the importation of products from the commercial and industrial sectors; (b) importation restriction of certain products; (c) the establishment of additional taxes (safeguards) on imports; (d) the increase of the Value Added Tax "VAT" from 12% to 14%, due to the effects of the earthquake of April, 2016. The change of government, has generated new expectations, on the business side and the legal framework, because in the popular consultation held in the first quarter of 2018, it facilitated the implementation of some

GLENMARK PHARMACEUTICALS ECUADOR S.A.
Notes to the financial statements

reforms among which is the elimination of the tax on surplus value; the indefinite re-election and the change in some control authorities and in the legal area.

The current government has stated that there is a high level of indebtedness and there are no resources to continue with the government plans to pay the pending payments to suppliers, as well as the payments of the debt tranches. This situation caused the current Government to issue debt paper and take credits from certain multilateral organizations and additionally propose certain reforms among which is (i) the increase in the income tax rate from 22% to 25% from 2018; (ii) the establishment of a tariff of US \$ 0.10 for each kilo of imported merchandise (this measure was eliminated at the request of the Andean Community); and, (iii) a differentiated tariff for certain imported products.

The Government, in order to attract new investments, promulgated the Organic Law of Productive Development and the Organic Law of Economic Reactivation and Strengthening, in which several reforms are established and some tax benefits have been established for new investments in which exemptions are established. of taxes to the generation of employment, for the reinvestment of profits, as well as to investments in strategic and geographical sectors.

The current Government is analyzing some strategies and is in talks with the Multilateral Organizations and the International Monetary Fund. He has stated that for the 2019 budget it needs additional financing to cover the fiscal deficit and is in the process of preparing an economic plan in which the alternatives to reduce (a) the high indebtedness; (b) the cash deficit and the fiscal budget; and, (c) the reduction of current spending, for which I start a gradual decrease in gasoline subsidies; At the date of issuance of the financial statements, the comprehensive economic plan has not been disseminated or approved.

The lack of a comprehensive economic plan and the economic measures taken generate uncertainty, despite the relative stability. The Administration is analyzing and evaluating new alternatives, in order to continue with its operations.

NOTE 2 – BASES OF PRESENTATION

The summary of the bases for the preparation and presentation of the financial statements are as follows:

a) Compliance declaration

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The main accounting policies adopted by the Company in the preparation of the financial statements have been defined in accordance with the IFRS in force as of March 31, 2019 and have been applied consistently to all the presented periods.

The financial statements for the period ended March 31, 2019 in accordance with IFRSs were approved by management. It is estimated that the financial statements will be approved without modifications by the shareholders.

b) Measurement basis

The financial statements have been prepared on the historical cost basis; allowance for impairment of accounts receivable, the provisions for obsolescence of inventories that are performed according to the estimates of the Company and the obligations and labor long-term liabilities that are recognized at fair value as determined by a specialist.

The historical cost is generally the fair value of the consideration given in exchange for goods and services.

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c) Functional Currency

The financial statements are presented in United States of America Dollars "US\$" which is the functional and presentation currency of the Company. The information in the notes and financial statements is presented in the aforementioned currency, except when there are balances or transactions in other currencies.

d) Classification of current and non-current items

The Company presents assets and liabilities in the statement of financial position classified as current and non-current.

An asset is classified as current when the Company:

- Expects to realize the asset, or intends to sell or consume it in its normal operating cycle;
- Holds the asset primarily for trading purposes;
- Expects to realize the asset within twelve months after the period reported; or
- The asset is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the close of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the Company:

- Expects to settle the liability in its normal operating cycle;
- Holds the liability primarily for trading purposes;
- Liabilities should be settled within twelve months after the closing date of the reporting period is presented; or
- Does not have an unconditional right to defer settlement of the liability for at least the following twelve months after the closing date of the reporting period.

All other liabilities are classified as non-current.

Assets and liabilities by deferred tax are classified as non-current assets and liabilities in all cases.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied by the Company in the preparation of the financial statements are as follows:

a) Reasonable Values Measuring

The Company for the measurement of the fair values of the accounts of the financial assets and liabilities; of the non-financial; and, from various accounting estimates required by IFRS, it uses the provisions of these Standards for its accounting policies in its: (i) initial recognition; (ii) disclosure in the financial statements and notes; and, (iii) to recognize the adjustments when there are indications of impairment of the financial and long-lived assets.

The Company in the measurement of fair values uses information from observable markets, always when it is reliable, as required by IFRS. As required by the IFRS, fair values are classified at different levels within their fair value hierarchy and which are based on the variables or valuation techniques, as follows:

- 1) **Market Values:** Quoted prices (unadjusted) in active markets for identical or similar assets or liabilities

- 2) **Different information from market prices of the previous level**; which are equal for an asset or liability, which come from values directly (prices of recent transactions) or indirectly (derived from prices determined by specialists based on studies or reference prices).
- 3) **Information from the use of financial techniques**; applicable to the internal data of the asset or liability and that does not come from market value or information.

The information or variables that are used to measure the fair value of an asset or liability, can be classified in one of the levels detailed above, then the measurement of the fair value can be classified in the same level of hierarchy of the fair value of the variable of the level lower that is significant for the total measurement of assets and liabilities.

The Company periodically reviews whether it is necessary to transfer the assets and liabilities that are recognized in the financial statements at fair value between the aforementioned hierarchy levels, for which it evaluates the categories (based on the input of the lowest level that is significant to measure the fair value as a whole). Changes between levels of fair value hierarchy are recognized at the end of each period in which the change was originated.

The additional information on the assumptions or facts to measure the fair values are summarized in note 7.

b) Cash and cash equivalents

Cash and cash equivalents for purposes of statement of cash flows constitute available balances in cash, banks, deposits and financial investments whose term is less than 90 days and are subject to immediate disposal.

c) Financial Instruments

The financial instruments of financial assets and liabilities are classified according to the characteristics of each financial instrument, as required by IFRS 9 "Financial Instruments (the change in the accounting policy is described in note 5). The classification depends on the purpose for which the assets are generated or acquired or the liabilities were contracted.

Financial Assets

Initial measurement

Financial assets are instruments that generate cash flow for the Company, in accordance with its activities or the purchase of these instruments.

Financial assets are initially recorded generally at acquisition cost plus any cost attributable to the transaction and that must be recognized as part of the asset and are recorded as assets at fair value. The difference between the acquisition cost and the fair value will be recognized as a gain or loss only in cases where the fair value is of a reliable active market.

The main financial asset of the Company is the commercial debtors generated by the transactions it carries out in the normal course of its operations and other accounts receivable, which are fixed and determinable payments and do not have a stock market quotation. These assets constitute the Company's main source of cash flows.

Subsequent Measurement

Financial assets subsequent to their initial measurement are classified according to their business model and the contractual characteristics of the cash flow of financial assets and in accordance with IFRS 9 and classified into: (i) amortized cost; (ii) fair value with changes in other comprehensive income; and, (iii) fair value with changes in profit and loss.

Financial assets are recorded as described below:

- **Amortized cost**

Financial assets - commercial debtors and the other non-commercial accounts receivable that comply with the characteristics of a financial instrument are recorded at amortized cost; When the expiration dates are met, the implicit interest for which the effective interest rate method is used will be calculated.

The balances of accounts receivable whose contractual term of collection up to one year or less are classified as current assets and those whose terms are greater than one year are classified as non-current assets.

The calculation of the implicit interest is made according to the interest rate of the financing liabilities of the Company or that published by the Central Bank of Ecuador in its official bulletins for loans granted by the Ecuadorian financial system.

- **Fair value with changes in other comprehensive income "OCI"**

Financial assets with changes in the "OCI" mainly constitute financial and equity financial instruments whose intention and financial capacity is to maintain them until they end their maturity and their cash flows correspond to the recovery of the capital and its interests. These instruments are adjusted to fair value and their effect is recognized in equity as part of the "OCI" until their realization or sale, except when there is a permanent deterioration.

- **Fair value with changes in results**

Financial assets at fair value constitute own securities or accounts receivable in which there is an intention to negotiate them or recover liquidity in short terms; these financial assets are updated at fair values and the adjustment for the update is recognized in the income statement of the period in which the variation originates.

Interest and discounts earned on financial assets are recorded as financial income in the income statement as explained in the revenue recognition policy.

Financial assets suppression

A financial asset is written off when:

- (i) The rights to receive the cash flows of the asset have ended;
- (ii) Company transfers its rights to receive cash flows from the asset or has assumed an obligation to pay all cash flows received immediately to a third party under a transfer agreement; and,
- (iii) The Company has transferred substantially all the risks and benefits of the asset or, if it has not transferred or retained substantially all the risks and benefits of the asset, if it has transferred its control.

Financial liabilities

Recognition and initial measurement

Liabilities are recognized when there is a contractual agreement and are recorded at the agreed value of payment plus the attributable costs - fair value.

Financial liabilities comprise: payable accounts with suppliers and other payable accounts, which comply with the characteristic of financial instrument, which correspond to transactions for goods or services acquired from the normal course of business that are pending payment and are

GLENMARK PHARMACEUTICALS ECUADOR S.A.
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classified as current liabilities when the payment term is one year or less and as non-current liabilities when the term exceeds more than one year.

Financial liabilities are recorded: (a) at fair value; and, (b) at amortized cost.

Financial liabilities at amortized cost mainly correspond to:

- a) Loans at fixed interest rates and which do not contemplate any periodic readjustment.
- b) Payable accounts whose payment term is greater than 90 days and do not include any interest rate.

The amortized cost is calculated using the effective interest rate method, which includes any discount or premium on the issue and the costs that are an integral part of the effective interest rate.

Subsequent Measurement

The financial liabilities at fair value are adjusted subsequently, which, together with the interest, is recorded in the period results.

The difference between the nominal value and amortized cost is recognized in the results by the interest method; while the gains or losses in the cancellation of financial liabilities are recognized in the results when the liabilities are canceled or written off.

Financial liabilities suppression

A financial liability is written off when the payment obligation is terminated, canceled or expires.

When an existing financial liability is replaced by another of the same borrower under significantly different conditions, or the conditions are modified significantly, this replacement or modification is treated as a recognition of the original liability and the recognition of a new liability, recognizing the difference between both in the results of the period.

Financial instruments compensation

The financial assets and liabilities subject to offset of balances are presented in the balance sheet at net value, when there is a legal right to offset them and the Company intends to settle them through this procedure.

d) Provision for impairment of financial assets

The Company periodically performs an evaluation for the calculation of the impairment for the possible expected losses in its book value and for which it does the following:

- In the financial assets generated by the Company and in which there is no third-party rating (objective and competent evidence if an asset or groups of assets are impaired), the calculation of the expected losses is made using the simplified method, which considers the following indicators:
 - (i) procrastination rate
 - (ii) existence of guarantees or insurance coverage;
 - (iii) financial difficulties of the debtors by economic sector;
 - (iv) deterioration of the macroeconomic indices;
 - (v) the value of money over time; and,
 - (vi) probability of bankruptcy, debt restructuring.

GLENMARK PHARMACEUTICALS ECUADOR S.A.
Notes to the financial statements

- Trade accounts receivable and other accounts receivable in which there is an appropriate external qualification (specific evidence of impairment) and competent that the risk of collection or there is a decrease in flows to receive the provision is determined based on this information.

The Company, based on the aforementioned, recognizes the provision for the expected losses, as mentioned below:

- The estimation of the expected credit losses is determined based on the present value of the shortfalls of the future cash flows, estimated according to the effective interest rate of the financial assets plus the procrastination and macroeconomic indices of the effective sector (the value of the difference between the cash flow owed to the entity in accordance with the terms of collection and the cash flows that the Company expects to receive). The estimate is recognized in the provision account and in the income statement for the year.
- The estimation of the expected losses of an asset in which there is an external source of information is recognized by the difference between the carrying amount of the asset and the value estimated by the external entity.
- Estimates of expected financial assets accounted for at fair value with a charge to Other Comprehensive Income "OCI" are recorded in the equity accounts of OCI and are recognized in the results at the time they are made, written off and when there are no real probabilities of recovery (permanent deterioration) and there are no real guarantees that cover the impaired asset.
- The write-offs of the assets are reduced from the provision and if there are surpluses, they are recorded in the results in the period in which it is determined
- Recoveries in the value of financial assets whose value was reduced are recorded in the results when said event occurs.

Interest earned on impaired financial assets is accrued on the reduced carrying amount of the asset, the value of expected or estimated losses, using the interest rate used to discount future cash flows in order to measure the impairment loss.

e) Inventories

The inventories are recorded as follows:

- The pharmaceutical products acquired at acquisition cost and adjusted at the closing of the financial statements at the Net Realization Value "NRV"
- Inventories in transit are accounted for at the cost of amounts incurred.

The cost of inventories and products consumed is determined by the weighted average method.

The Company constitutes a provision charged to the results of the year for the losses in the expired inventories and for the possible losses of the products in which it is estimated that they will not be sold due to the slow turnover of the inventory, which, once the requirements established by the health authorities have been met, they are destroyed and their carrying amount is reduced from the provision constituted.

The net realizable value (NRV) is determined based on the replacement price plus the estimated termination and sale costs and the adjustment is recognized in the results of the period.

The Company makes a provision for those slow-moving inventories in which the adjustment to the NVR cannot be estimated, this provision is made based on the historical experience and seniority of the products.

f) Furniture and equipment

Measurement and recognition

Furniture and equipment are carried at historical cost and the net value of accumulated depreciation is presented.

Cost includes the disbursements directly attributable to the acquisition or construction of the asset. Disbursements subsequent to the purchase or acquisition are only capitalized when it is probable that future economic benefits will flow to the Company and can be reasonably measured.

Subsequent costs

Disbursements for repairs and maintenance incurred to repair or maintain the future economic benefit expected from property, plant and equipment is recognized as an expense when incurred, while improvements or maintenance of importance which extend the useful life of the asset are capitalized provided and when it is probable that future economic benefits will flow to the Company and can be measured reasonably.

Depreciation method

Furniture and equipment are depreciated by the straight-line method based on the estimated useful life whose years of life are as follows:

<u>Type</u>	<u>Years</u>
Facilities	10
Furniture and office equipment	10
Computer equipment	3

The depreciation method, the useful life and the equipment system, the equipment, the reviewed articles, the model and the closing date of the financial statements.

Retirement and sale

The cost and accumulated depreciation of property, plant and retired equipment are reduced from the respective accounts and the difference is recognized in the results of the year in which the transaction originates.

When the value in books of a fixed asset exceeds its recoverable amount, it is immediately reduced to its recoverable amount.

g) Leases

A lease is classified on the start date as a finance lease or an operating lease. A lease that transfers substantially all the risks and advantages inherent to the Company's property is classified as a finance lease.

Leases that qualify as finance leases are accounted for as furniture and equipment at the cost of the investment or the net investment value of the lease contract and the related costs of the operating agreements are recorded as expenses in the term of the lease.

The payment of finance lease installments is distributed between the liability and the financial charge at a constant interest rate on the outstanding balance of the debt. The acquired good, under a financial lease, depreciates during its useful life and is included as part of the item of furniture and equipment.

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An operating lease is a lease that is not a financial lease. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the term of the lease

h) Revenue recognition

Income is recognized to the extent that the economic benefits are likely to flow to the Company and the revenues can be measured reliably, regardless of when the payment is received. Revenues are measured at the fair value of the consideration received or receivable, taking into account contract terms defined contractually and without including taxes or duties.

The criteria for the recognition of income are described below:

Product Sales

Revenues from the sale of products in the ordinary course of business are recognized at the fair value of the consideration received or receivable, net of refunds, discounts and discounts or commercial rebates. Revenues are recognized when there is evidence that the risk and significant property benefits have been transferred to the buyer, the recovery of the consideration due, the associated costs and possible returns of the goods sold are likely and the amount of the income may be measured reliably.

Discounts

Discounts and other expenses on sales that can be estimated reliably are recognized as revenue reduction when sales are recognized.

Bonuses

The Company grants product bonuses to its customers, which are recognized as part of the cost at the time of sale.

i) Obligations for post-employment benefits

The obligations for post-employment benefits constitute short-term provisions, defined benefit plans and benefits for early termination.

Short-term benefits

Short-term social benefits are other benefits in addition to wages and salaries paid on a monthly basis and that are legally established in labor contracts or by labor laws and that are required within the current year, which are accumulated and accounted for in the results of the period and are reduced by the payments or by the excess in the provisions, which are recorded in the results of the period.

In addition to the aforementioned, the labor provisions in force establish that employees and workers are entitled to a 15% share of the profits of the year, this provision is recorded with a charge to the results of the year in which it accrues.

Defined Benefit plans

The labor code of the Republic of Ecuador establishes the obligation on the part of employers to grant the following benefits:

- i. Employer retirement to all employees who have completed a minimum of 25 years of service in the same company.

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- ii. A compensation of 25% of the salary for each year of service, which is calculated based on the salary or salary in force at the time of retirement.

The Company establishes reserves for these benefits based on actuarial studies carried out by a specialized company. The actuarial method used by the specialist for the calculation is the "projected unit credit costing" and the provisions are calculated based on the remuneration of the employee and other parameters established in the Labor Code.

Assumptions to determine the actuarial study include discount rate determinations of the corporate bonds of the circulation currency in the country, variations in salaries and wages, mortality rates, age, sex, years of service, increase in the amount minimum of retirement pensions, among others. Due to the long term that characterizes the reserve for retirement benefit obligations, the estimate is subject to variations that could be significant.

The increase in labor cost and interest on these provisions is recorded in the results of the year and the positive or negative effect on the level of reserves derived from changes in estimates is recorded in equity as other comprehensive income and payments they are deducted from the provision.

Severance pay

The benefits for severance pay as recorded at the moment in which the employer decides to terminate the contract for the provision of labor services in advance. The Company makes provision when there is a real possibility of a decrease in its activities or a restructuring of its operations; in the event that it does not originate from the aforementioned events and in fortuitous cases, the benefits established in the labor laws for severance pay are recorded in the results at the time they originate.

j) Provisions – accumulated liabilities.

The Company recognizes the provisions when: (i) it has a present obligation, whether legal or implicit, as a result of current or past events related to its activities, (ii) it is probable that an outflow of resources will be required to settle a current obligation in the future; and, (iii) the amount has been estimated reliably.

The amounts recognized as a provision constitute the best estimate of the Company, at the closing date of the financial statements, of the disbursements necessary to settle the obligation.

Long-term provisions are determined by discounting the expected future cash flows at a market interest rate related to the time value of money. The update of the discount of the provisioned values is recognized as financial expense.

The remaining interest costs are recognized in results in the year in which they are incurred.

k) Income tax

The income tax includes the current and deferred tax in accordance with the tax laws in force in the Republic of Ecuador.

Current income tax

The current income tax is calculated using the applicable rates, for the different taxes; that are determined in the law, regulations and tax provisions in force as of the cut-off date of the financial statements on which they are reported and these are accounted for in the results of the period.

Deferred income tax

Deferred income tax is recognized using the asset and liability as a result of the temporary differences arising between the carrying amounts of the assets and liabilities in the financial statements in accordance with IFRSs and the fiscal base of accounting, at the closing date of the period in which it is reported.

Deferred tax assets are recognized for all deductible temporary differences that are estimated to be compensable in the future and deferred tax liabilities are recognized for all taxable temporary differences.

The value of deferred tax assets accounted for is reviewed at the closing of the financial statements about which it is reported and are reduced at the moment when it is determined that there are no future taxable profits that allow these deferred tax assets to be used in full or partially.

Deferred tax assets not recognized in the financial statements are evaluated at each closing date of the financial statements and are recognized to the extent that there is evidence of future taxable profits that would allow the recovery of such deferred tax assets not previously recognized

Deferred tax assets and liabilities are measured at the income tax rates in effect on the date on which the existence of the temporary differences is determined and which are in force in the Organic Law of the Internal Tax Regime, its regulations and other provisions legal tax laws.

The deferred tax related to the items recognized outside profit or loss is recognized outside the latter. Deferred tax items are recognized in a relationship with the underlying transaction, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset assets and liabilities for current income tax and if deferred taxes are related to the same entity subject to taxes and the same tax jurisdiction.

Deferred tax assets and liabilities are not discounted at their current value and classified as non-current.

Other taxes

Sales tax for revenue from ordinary activities, expenses and assets are recognized excluding the amount of any sales tax (ex: value added tax), except:

- When the sales tax incurred in an acquisition of assets or in the provision of services is not recoverable by the tax authority, in which case this tax is recognized as part of the acquisition cost of the asset or as part of the expense, as appropriate;
- Accounts receivable and payable that are already expressed, including the amount of sales taxes.

The net amount of sales tax that is expected to be recovered or to be paid, is presented as an account receivable or payable in the statement of financial position, as applicable.

Others

The Company reviews the closing of its financial statements: (i) the decisions made in the tax returns of previous years referring to those situations in which the applicable tax legal provisions are subject to interpretation; and (ii) the cases in which the tax authorities determined additional

values for taxes and that are in the process of being challenged. In the events that it deems necessary, it constitutes provisions when appropriate.

l) Recognition of operating costs and expenses

The costs and operating expenses are recognized in the results by the accrued method and when the products and services are provided, regardless of when they are paid.

The company presents its costs and expenses by its nature. This information is more reliable and relevant than the method of the function of the expenditure due to the nature of the entity, sector in which it works and use of comparable historical information reported in previous years.

m) Financial Expenses

Interest expenses directly attributable to the construction of an asset that necessarily require a substantial period of time for its use, are capitalized as part of the cost of the respective assets. All other costs for loans are accounted for as expenses in the period in which they are incurred.

n) Comprehensive result per share

The integral result by ordinary participation is calculated considering the weighted average of outstanding shares during the year. The average number of outstanding shares in 2019 and 2018 were 1,689,000 of US \$ 1 by each one.

NOTE 4 – USE OF JUDGMENTS, ESTIMATES AND SIGNIFICANT ACCOUNTING ASSUMPTIONS

The policies established by the Company note 2 and according to IFRS requires the Administration to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the amounts disclosed as revenue and expenses during the period of the report. Estimates and assumptions are continuously evaluated and are based on Administration's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates, by definition, can rarely be equal to actual results.

The estimates, judgments and assumptions that have a significant risk that may result in a material adjustment to the carrying amounts within the financial period are as follows:

- **Provisions for the impairment of financial assets.**

The Company performs a review of the value of financial assets on an annual basis and assesses whether there are risks to their recovery and, based on this analysis, an estimate is made for possible losses in the recovery.

The Company considers that at the date of preparation of the financial statements for financial assets it is not necessary to make a provision for this concept.

- **Provisions for inventory obsolescence**

The Company performs an annual adjustment of the inventories to the "Net Realizable Value - NRV" and additionally makes a review of the age and rotation of the inventories and based on this analysis, a provision is made for the inventories of slow turnover whose seniority is greater than one year.

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The Company considers that the amount of the provision at the date of preparation of the financial statements for the inventories is reasonable.

- **Estimation of the useful lives of depreciation of facilities, furniture, and equipment.**

The facilities, furniture and equipment are accounted for at cost and depreciated by the straight-line method and based on the estimated useful lives, which are reviewed annually, technological changes, extensive use, among other factors can change the Estimates of the depreciation method and useful lives can affect these estimates.

The Company considers that the depreciation method and useful lives are reasonable and there is no evidence of any technological deterioration.

- **Impairment of long-lived assets**

At the end of each accounting period, the Company analyzes its results and operations to validate the value of long-lived assets and determine if there are indications that said assets have suffered an impairment loss. If there is any indication, an estimate of the recoverable amount of said asset is made, for which the cash flows (use value) are estimated independently; then the recoverability of the cash generating unit to which the asset belongs.

The calculation of value in use requires the Company to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value.

In the event that the recoverable amount is lower than the net book value of the asset, the corresponding impairment loss is recorded, charged to results and reversed in the results when there is a change in the estimates.

- **Post-employment benefits**

The actuarial calculation made by an external specialist is based on the method of the projected credit unit to determine the present value of its obligations for defined benefits. Demographic and financial assumptions are used in the calculation.

- Demographic assumptions about the characteristics of current and past employees who may receive benefits. The demographic assumptions are: (i) average long-term salary rate; (ii) current interest rate; (iii) financial discount rate; (iv) annual inflation rate; (v) rate of return on plan assets.
- Financial assumptions are related to the following elements: (a) the discount rate; and, (b) the levels of benefit to be paid to employees and future wages

- **Estimate to cover litigation**

The Company recognizes obligations of those events of a legal or implicit nature for the Company; these events are recognized when:

- The Company has an obligation on the date on which it is reported as a result of a past event.
- When it is probable that the Company has to divest itself of resources or economic benefits, to liquidate the obligation; and,
- The amount of the obligation can be estimated reliably.

The provision is recognized as a liability in the statement of financial position and as an expense in the income statement for the period.

• **Provisions**

The determination of the amount to be provisioned is based on the best estimate of the disbursements that will be necessary to pay for the corresponding obligation, taking into consideration all the information available at the closing date, including the opinion of independent experts such as legal advisors and consultants.

NOTE 5 – ACCOUNTING POLICIES CHANGES

The main standards and interpretations issued by the International Accounting Standards Board ("IASB"), which are effective as of January 1, 2018 and whose changes in accounting policies as of January 1, 2018 are as follows:

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments", which substantially replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9.

Changes in the policy and treatment of financial instruments are related to the following:

- Classification and measurement
- Deterioration
- Hedge accounting

The main changes of the aforementioned aspects are summarized below:

Financial Assets:

The main change of IFRS 9 in relation to NIIC 39 is in the classification and measurement of financial assets, which are summarized below:

Previous Accounting Policy

Required Accounting Change

Classification and measurement:

Financial assets in accordance with IAS 39 are classified according to economic intent and are initially recorded at cost plus expenses attributable to the transaction and are classified in the following categories:

- a) To negotiate;
- b) Available for sale;
- c) Maintained until maturity; Y,
- d) Loans and accounts receivable.

With the exception of investments held to maturity and loans and accounts receivable, investments for trading and available for sale are adjusted at fair value and the adjustment is recognized in profit or loss.

Investments held to maturity are recorded at cost and gains are recognized at the time of their realization, with the exception of impairment that is considered as permanent

Based on IFRS 9, financial assets are recorded cost plus expenses incurred and the difference with fair value is recorded as in the results when the fair value is of an active stock market and classified according to the business model. The characteristics of the generation of cash flows and classifies them into the following categories:

- a) Amortized cost;
- b) Fair value with changes in other comprehensive income "OCI"; Y,
- c) Fair value with changes in the results.

The accounting aspects of each of the categories are described in note 2.

The main change is the accounting record in the equity of the accounting gains or losses in the fair values with changes in the "OCI".

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that is recognized in the results.

Loans and accounts receivable are recognized at amortized cost and the income is recognized by the Effective Interest Rate Method.

Deterioration of financial assets

The accounting change between IAS 39 and IFRS 9 is as follows:

<u>Previous Accounting Policy</u>	<u>Required Accounting Change</u>
Impairment losses in accordance with IAS 39 are recognized when there is a real impairment based on economic conditions and guarantees obtained from debtors.	IFRS 9 requires that the expected credit losses of all its financial assets be recognized, either on a measurement of the expected impairment in the following 12 months or for the entire duration of the financial asset, on an individual or collective analysis of the expected credit risk. (expected future loss).

Financial liabilities:

The accounting treatment for financial liabilities between the provisions of IFRS 9 in relation to NIIC 39, there are no significant differences

Coverage

The Company does not have hedging instruments as of March 31, 2019 and 2018, therefore there is no impact on operations.

The analysis carried out by the Company based on the information available as of March 31, 2018 and that has derivative changes in the year 2019, the date on which this rule takes effect, are as follows:

	<u>Classification</u>		<u>Balances according to books</u>	
	<u>IAS 39</u>	<u>IFRS 9</u>	<u>IAS 39</u>	<u>IFRS 9</u>
Financial assets:				
Cash and cash equivalents	Amortized cost	Amortized cost	30.641	403.447
Local customers	Amortized cost	Amortized cost	1.641.264	653.784
Financial liabilities:				
Suppliers accounts payable	Amortized cost	Amortized cost	378.394	191.187
Related accounts payable	Amortized cost	Amortized cost	896.734	609.929

From the effectiveness of this rule, the company made the changes in the classification of its financial instruments.

The effect of the change in accounting policy for the recognition of the calculation of expected losses is detailed in note 24.

IFRS 15 Revenue from contracts with customers

IFRS 15, effective as of January 1, 2018, establishes a new five-step model for the accounting of revenues resulting from contracts with customers. The income in accordance with this standard is recognized by the value that reflects the consideration that an entity expects to be entitled to receive in exchange for transferring goods or services to a customer.

This new standard eliminates all the previous rules regarding the recognition of income and requires retroactive application.

The Company made the preliminary impact assessment for the application of this standard and these are detailed below:

(a) Sold Products:

The Company, according to its line of business, makes sales in its three lines of dermatology - cosmetics, respiratory and commercial, which are recognized at the moment of delivery of the control thereof.

(b) Variable Consideration:

– Return right

The business of the Company allows the right of return of its customers, which is given by bad condition and expiration. The policy of the company is to recognize in the period in which said returns are produced and not to the sale not made directly.

– Discounts for balances or rebates

The Company according to its operations and its commercial strategy offers discounts or rebates and returns on the product; which are recognized as income reduction when the sales are recognized, so a provision or adjustment is not required and additionally as credit terms are short term (less than 90 days); so the discount or bonus is not considered as financing.

(c) Advances received from customers and significant financing component

The Company receives short-term advances from its customers and is presented as other accounts payable and does not have significant transactions for this item. There is no effect on the financial statements.

(d) Considerations for agent and principal

The Company considers that in all the transactions carried out by the Company it fulfills the role of principal.

The Company, according to the analysis of the impact of this standard in the financial statements, has not considered it necessary to retrospectively adjust the financial statements, it will evaluate the behavior as of 2018 and 2019, considering that it began operations in the month of May in 2017.

Other changes or modifications in the IFRS

There are other changes or modifications to the IFRS that do not have any change in the accounting policies in effect as of March 31, 2019.

Due to the structure of the Company and the nature of its operations, the adoption of such standards did not have a significant effect on its financial position and results; Therefore, it has not been necessary to modify the comparative financial statements of the Company.

NOTE 6 – RULES ISSUED NOT EVEN VALID

The standards and interpretations issued by the International Accounting Standards Board ("IASB"), which until the date of issuance of the Company's financial statements are not yet effective, are detailed below:

NIIF 16 – Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 "Leases", IFRIC 4 "Determination of whether a contract contains a lease", SIC - 15 "Operating leases - Incentives" and SIC - 27 "Evaluation of the essence of transactions that adopt the legal form of a lease" and this standard enters into force in January 2019 and may be applied in advance, in conjunction with IFRS 15 Ordinary revenue from contracts with customers. A tenant may choose to apply the rule retroactively in full or through a modified retroactive transition. The transitory provisions of the standard allow certain exemptions.

IFRS 16 establishes the recognition, valuation, presentation and disclosures of leases and requires lessees to account for all their contracts under a single balance sheet model similar to the current accounting for the finance leases of IAS 17. The standard includes two exemptions in the recognition of leases by lessees, leases of low-value assets and leases of up to 12 months. According to this norm, the lessee at the start date of a lease, will recognize the total liability for the payments to be made and an asset for the rights to use the leased asset. Tenants must disaggregate the interest expense corresponding to the liability for the lease and the expense for the amortization of the right of use.

Tenants will also be required to re-assess the lease liability when there are changes to the lease, for example: change in lease term, future lease payments for changes in an index or rate used to determine those payments. The lessee will generally recognize the value of the reassessment of the liability for the lease as an adjustment to the asset for the right of use.

The accounting of the lessor according to IFRS 16 does not change substantially with respect to the current accounting of IAS 17, the lessees will continue to classify the leases with the same classification principles of IAS 17 and will record two types of leases: operating and financial leases. IFRS 16 also requires lessees and lessors to include more extensive disclosures than those stipulated in IAS 17.

As of the date of issuance of the financial statements, the Company is in the process of evaluating, diagnosing and measuring the impacts of the application of IFRS 16 and considers that it has no significant impacts.

Other Standards or Modifications and Interpretations

- IFRIC 23 Uncertainty about Income Tax Treatment.
- Amendments IFRS 9 - Advance Payment with Negative Compensation.
- Amendments to IAS 28 - Long Term Participations in Associates and Joint Ventures.
- Modifications IAS 19 - Modification, Reduction or Liquidation of a Plan.
- Modifications to the Conceptual Framework in the IFRS Standards.
- IFRS 17 Insurance Contracts.

The Company does not expect that the new standards or modifications mentioned above will not have a significant impact on the financial statements:

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NOTE 7 – FINANCIAL INSTRUMENTS

The financial instruments as of March 31, 2019 and 2018 correspond to current financial assets and liabilities and their balances and fair values are as follows:

	<u>Reasonable value</u>		<u>Value in books</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Financial assets:</u>				
Cash and cash equivalents	30.641	403.447	30.641	403.447
Local customers	<u>1.553.198</u>	<u>618.704</u>	<u>1.641.264</u>	<u>653.784</u>
<u>Financial liabilities:</u>				
Suppliers accounts payable	358.090	180.929	378.394	191.187
Related accounts payable	<u>896.734</u>	<u>577.202</u>	<u>930.364</u>	<u>609.929</u>

Significant accounting policies; the method adopted and the criteria for recognition for measurement and the basis on which income and expenses are recognized, for each class of financial assets and liabilities are detailed in note 3 - c).

Fair Value

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in a current transaction, under the assumption that the entity is a going concern.

The techniques used to determine the fair value of the instruments are described in note 3 - a) Summary of the main accounting policies.

The Company has used its best judgment in estimating the fair values of its financial instruments, any technique to make such an estimate entails a certain level of inherent fragility. As a result, fair value cannot be indicative of the net realizable or liquidation value of financial instruments.

The following methods and assumptions were used to estimate the fair values:

- Financial instruments whose fair value is similar to the book value

Assets and financial liabilities liquid or have short-term maturities (less than three months), such as cash and cash equivalents, trade debtors, other accounts receivable, commercial creditors and other accounts payable and other current liabilities, it is considered that the Book value is similar to fair value.

- Fixed rate financial instruments

The fair value of financial assets and liabilities that are at fixed rates and at amortized cost is determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments.

The carrying amounts and fair values of the financial instruments presented in the statement of financial position are similar to market values.

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NOTE 8 - EQUITY

Capital stock

At March 31, 2019 and 2018 the authorized, subscribed and paid common shares are 1.689.800 shares of US\$ 1 each.

NOTE 9 – FURNITURE AND EQUIPMENT

The balances as of March 31, 2019 and 2018, the furniture and equipment of the Company, are as follows:

	2019			2018		
	Cost	Accumulated depreciation	Net block	Cost	Accumulated depreciation	Net block
Facilities	20.366	2.350	18.017	10.010	800	9.210
Furniture and fixtures	76.577	12.881	63.696	76.577	5.196	71.381
Computer equipment	44.191	25.106	19.084	43.280	11.458	31.823
	<u>141.134</u>	<u>40.337</u>	<u>100.797</u>	<u>129.868</u>	<u>17.455</u>	<u>112.413</u>

NOTA 10 - INVENTORY

The composition of inventories item as of March 31, 2019 and 2018 are as follows:

	2019	2018
Inventories	324.615	532.847
Medical samples	34.599	126.644
Imports in transit	181.016	40.753
Obsolescence provision	(114.161)	(150.232)
	<u>426.069</u>	<u>550.012</u>

NOTA 11 – ACCOUNTS RECEIVABLE, COMMERCIAL AND OTHER

The balances as of March 31, 2019 and 2018 of the current assets are as indicated in the following groupings:

	2019	2018
Local customers (1)	1.641.264	653.784
Taxes to be recovered (2)	91.433	44.391
Other accounts receivable (3)	15.939	29.402
	<u>1.748.637</u>	<u>727.577</u>

11.1. ACCOUNTS RECEIVABLE FROM CUSTOMERS

A summary of the old commercial accounts receivable as of March 31, 2019 and 2018 are as follows:

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<u>Category</u>	<u>2019</u>	<u>2018</u>
Unexpired	1.338.100	488.443
From 1 to 30 days	102.927	49.665
From 31 to 60 days	91.237	51.208
From 61 to 90 days	62.475	9.686
From 91 to 120 days	36.458	4.550
From 120 to 150 days	3.334	50.233
From 150 to 360 days	6.732	-
	<u>1.641.264</u>	<u>653.785</u>

11.2. CURRENT TAXES TO RECOVER

The balance as of March 31, 2019 and 2018 of the current taxes to be recovered are as follows:

	<u>2019</u>	<u>2018</u>
Tax withholding	70.452	31.939
Tax credit	18.831	10.302
Others	2.151	2.151
	<u>91.433</u>	<u>44.391</u>

The balance of taxes - advances and withholdings at the source constitutes the excess of income tax paid and withholdings made by third parties, which in 2019 amount to US \$ 70.452.

11.3. ACCOUNTS RECEIVABLE, OTHERS

A detail of the accounts receivable - several as of March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Accounts receivable employees	9.670	10.200
Travel advances	10.881	11.914
Guarantee	8.888	7.288
Other accounts receivable	(13.500)	-
	<u>15.939</u>	<u>29.402</u>

NOTE 12 - CASH AND CASH EQUIVALENTS

At March 31, 2019 and 2018 the composition of cash and cash equivalents are as follows:

	<u>2019</u>	<u>2018</u>
Cash in hand	955	1.000
Balances with banks (1)	29.687	402.447
	<u>30.641</u>	<u>403.447</u>

- (1) At March 31, 2019 it, corresponds to the available amount that the Company maintains in its checking and savings accounts in banks domiciled in Ecuador. The rating category of the bank according to the publications required by the Superintendence of Banks is AAA-.

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NOTE 13 – SUPPLIERS ACCOUNTS PAYABLE

Balances at March 31, 2019 and 2018 of accounts payable for local suppliers are US\$378.394 and US\$191.187 and have deadlines of up to 120 days.

NOTE 14 – RELATED ACCOUNTS PAYABLE

A detail of the balances as at March 31, 2019 and 2018 with the related parties transactions are as follows:

	<u>Relation</u>	<u>Transaction</u>	<u>2019</u>	<u>2018</u>
<u>Accounts payable:</u>				
Glenmark Pharmaceuticals Ltda.	Group component	Inventory purchase	869.917	495.731
Glenmark Farmaceutica Ltda.	Group component	Inventory purchase	60.447	111.017
Glenmark Pharmaceuticals Perú S.A.	Group component	Inventory purchase	-	3.181
			<u>930.364</u>	<u>609.929</u>

Transactions with related parties at March 31, 2019 and 2018 gave rise to the following amounts in the income statement and are as follows:

	<u>Relation</u>	<u>Transaction</u>	<u>2019</u>	<u>2018</u>
<u>Purchase:</u>				
Glenmark Pharmaceuticals Ltda.	Group component	Inventory purchase	611.427	632.237
Glenmark Farmaceutica Ltda.	Group component	Inventory purchase	153.210	295.417
Glenmark Pharmaceuticals Perú S.A.	Group component	Inventory purchase	-	3.181
			<u>764.637</u>	<u>930.835</u>

Amounts paid to key personnel of the Company and administrators at March 31, 2019 and 2018 were US\$361.865 and US\$111.531 respectively, these values belong to fees and other benefits.

NOTE 15 – CURRENT TAXES PAYABLE

The balance as of March 31, 2019 and 2018 of the current taxes to be recovered are as follows:

	<u>2019</u>	<u>2018</u>
Withholdings payable	1.525	2.958
Value added tax	11.052	5.094
Income tax employees	7.903	2.883
	<u>20.480</u>	<u>10.935</u>

NOTE 16 – PROVISIONS

The balances as of March 31, 2019 and 2018 of the company's provisions, are as follows:

	<u>2019</u>	<u>2018</u>
Provisions for social benefits	121.916	75.825
Provisioned expenses	75.361	69.201
	<u>197.277</u>	<u>145.027</u>

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NOTE 17 – EMPLOYER RETIREMENT AND EVICTION BONUS

The balances of provision for employer's retirement and eviction bonus for the year ended at March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Employer retirement	64.005	48.283
Eviction bonus	<u>26.847</u>	<u>19.028</u>
	<u>90.852</u>	<u>67.311</u>

The Company accumulates these benefits based on annual studies prepared by a firm of consulting actuaries. As indicated in actuarial studies, the actuarial method used is "costing projected unit credit" provisions of the plan and consider the employee's remuneration and other parameters set out in the Labor Code.

NOTE 18 – OPERATING INCOME

Sales for the year ended March 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Sales	5.309.801	4.973.431
Return on sales	(161.797)	(85.849)
Volume discount	(1.379.499)	(1.661.480)
Discount soon payment	(42.204)	(16.065)
Commercial discount	<u>(228.637)</u>	<u>(161.598)</u>
	<u>3.497.665</u>	<u>3.048.439</u>

Ordinary income exclusively the sale of pharmaceutical products.

NOTE 19 – COST OF SALES

During the year ended March 31, 2019 and 2018, operating costs were US\$946.930 and US\$1.252.524

NOTE 20 – ADMINISTRATIVE AND SALES EXPENSES

A detail of administrative and sales expenses for years ended at March 31, 2018 is as follows:

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	<u>2019</u>	<u>2018</u>
Leasing	61.628	52.236
Depreciation	23.713	17.455
Inventory deterioration	241.870	130.000
Insurances	39.931	31.115
Management expenses	193.973	140.492
Travelling expenses	159.456	116.915
Financial expenses	2.316	2.138
Professional fees	61.399	65.854
Tax rate	179.667	162.056
Maintenance and repairs	20.002	52.577
Materials and supplies	5.670	9.694
Transportation	123.936	118.150
Other expenses	186.930	35.257
Marketing expenses	186.470	174.500
Employers retirement and eviction	44.764	32.611
Professional services	561.591	417.521
Electricity charges - telephone expense	-	32.298
Miscellaneous services	-	28.947
Salaries and social benefits	1.183.466	1.054.209
	<u>3.276.782</u>	<u>2.674.023</u>

NOTE 21 – INCOME TAX

Tributary reconciliation

The income tax expense for the years ending on December 31, 2018 and 2017 includes the following:

	<u>2018</u>		<u>2017</u>	
	<u>Items amounts</u>	<u>Income tax</u>	<u>Items amounts</u>	<u>Income tax</u>
Profit (Loss) prior to workers sharing and income tax	(1.376.173)	(302.758)	(895.862)	(197.090)
Non-deductible expenses	<u>822.919</u>	<u>181.042</u>	<u>498.178</u>	<u>109.599</u>
Tax base and income tax	<u>(553.254)</u>	<u>(121.716)</u>	<u>(397.684)</u>	<u>(99.421)</u>
Effective income tax rate		<u>0%</u>		<u>0%</u>

The newly constituted companies, recognized according to the Production Code, the natural persons obliged to keep accounting and the undivided successions required to keep accounts, who initiate activities, will be subject to the payment of this advance after the fifth year of effective operation, understood as for such the initiation of its productive and commercial process. In case the productive process so requires, this term may be extended, with the prior authorization of the Technical Secretariat of the Sectoral Council for Production and the Internal Revenue Service.

The tax losses of a tax year can be compensated with the taxable profits that they obtain within the next five following tax periods, without exceeding in each period of 25% of the profits obtained.

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The income tax of the Company is calculated annually at the close of December 31 of each fiscal period, applying the current income tax rate to the taxable profits.

The new companies that are established outside the urban areas of the cantons of Quito and Guayaquil and within certain economic sectors, are exempt from paying the income tax for the period of five years from its constitution, provided that the investments new and productive activities are carried out outside the urban jurisdictions mentioned above.

They are exempt from the payment of income tax, the new productive investments made in the provinces of Manabí and Esmeraldas in the three following years counted from the validity of the Organic Law of Solidarity and Citizen Responsibility for Reconstruction and Reactivation of the Areas Affected by the Earthquake of April 16, 2017, published in the Supplement to the Official Register No. 759 of May 20, 2016.

Income Tax rate

The current tax provisions establish that the 25% income tax rate. The income tax rate will increase from 25% to 28% in the following cases:

When the company has shareholders, partners, participants, constituents, beneficiaries or similar, resident or established in tax havens or lower tax regimes; with a direct or indirect participation, individually or jointly, equal to or greater than 50% of the share capital.

When the participation of shareholders domiciled in tax havens or lower tax regimes is less than 50%, the income tax rate will be applied on the proportion of the tax base corresponding to that participation.

In the event that the company that fails to comply with the duty to inform the composition of its shareholders, partners, participants, taxpayers, beneficiaries or similar, in accordance with what is established by the Organic Law of Internal Tax Regime and the resolutions issued by the Service of Internal Revenue, without prejudice to other sanctions that may be applicable.

In the event that the Company reinvest its profits in the country in the terms and conditions established by the Organic Law of the Internal Tax Regime, it could obtain a reduction in the income tax rate of 10 percentage points over the reinvested amount, provided that when they make the corresponding capital increase until December 31 of the following year.

Advance payment of income tax

The advance is determined annually and on the basis of the income tax return of the previous year, applying certain percentages to the value of the total assets (less certain components), total equity, income, costs and expenses. The advance payment is compensated with the income tax caused, as long as it is not subject to refund, except in exceptional cases. In case the income tax caused is less than the determined advance, the advance is converted into a minimum income tax.

Excluded from the determination of the income tax advance are the incremental expenses for the generation of new employment or improvement of the wage bill, and in general those investments and expenses actually incurred, related to the tax benefits that for the payment of the income tax recognizes the Organic Code of Production, Trade and Investments for new investments, as well as other effects due to the application of accounting standards and principles.

Additionally, new companies incorporated as of the validity of the Production, Trade and Investment Code for a period of 5 years of effective operation are exempt from the payment of the income tax advance, which is understood as the initiation of their process. productive and commercial.

Cash dividends

Dividends and profits, calculated after the payment of income tax, distributed by national or foreign companies that are resident in Ecuador, in favor of other national or foreign companies, not domiciled in tax havens or jurisdiction of lesser taxation or of non-resident natural persons in Ecuador, they are exempt from income tax.

The aforementioned exemption does not apply if the beneficial owner; who economically or in fact has the power to control the attribution of disposing of the benefit, is a natural person resident in Ecuador; to which a withholding of the dividends or profits that apply to the taxed income must be made, which depends on where the effective beneficiary is located, without exceeding the difference between the maximum rate of income tax for individuals (35%) and the general rate of income tax provided for companies (28% or 25%).

In the event that the dividends are distributed to companies domiciled in tax havens or lower taxation systems, an additional withholding tax should be applied for the difference between the maximum rate of taxation of a natural person (35%) and the tax rate for the taxpayer. corporate income applicable for companies (28% or 25%).

The company that distributes the dividends or profits that have not reported their shareholding composition must be withheld from the income tax on said dividends as if there were an effective beneficiary resident in Ecuador.

The early distribution of dividends before the end of the financial year or granting money loans to its partners, shareholders or any of its related parties (non-commercial loans), shall be considered as an advance payment of dividends and therefore the corresponding withholding shall be made. the corporate income tax rate in effect to the current year, on the amount of such payments. The withholding must be declared and paid the month after it is made and it will constitute a tax credit for the company in its income tax declaration.

The profits received by the Companies residing in the country or abroad, from the direct or indirect transfer of shares or participations of companies domiciled or permanent establishments in Ecuador are outstanding as of the year 2018.

Disposal of shares and shares

They are taxed with the income tax, profits received by companies domiciled or not in Ecuador and natural persons, Ecuadorian or foreign, residents or not in the country, from the direct or indirect transfer of shares or shares of companies domiciled or permanent establishments in Ecuador.

Foreign Currency Exit Tax (ISD)

The Foreign Exchange Tax is 5% and taxes the following transactions:

- The transfer or transfer of foreign currency abroad.
- Payments made from abroad, including those made with financial resources outside the natural person or society or third parties.
- Imports pending payment registered for more than twelve (12) months.
- Exports of goods and services generated in Ecuador, made by natural persons or companies domiciled in Ecuador, when the foreign currency corresponding to the payments for such exports do not enter Ecuador.
- When the outflow of currencies occurs as a result of the clearing or netting of debit balances and creditors abroad, the tax base will consist of the entire operation, that is, both the net balance transferred and the amount cleared.

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The following are exempt from the Foreign Currency Exit Tax (ISD):

- Money transfer of up to three unified basic salaries per month.
- Payment made abroad through credit or debit cards up to 5,000.
- Payments made abroad for the amortization of capital and interest on loans granted by international financial institutions, with a term greater than one year, destined to financing investments foreseen in the Organic Code of Production, Trade and Investment and which accrue interest to the referential rates.
- Payments made abroad by way of dividends distributed by national or foreign companies domiciled in Ecuador, after payment of income tax, in favor of other foreign companies or individuals not resident in Ecuador, provided they are not domiciled in tax havens or jurisdictions of lower taxation.
- Up to one year, payments for imports made by taxpayers who have suffered a direct economic impact on their productive assets as a result of the natural disaster that occurred on April 16, 2017 and who have their domicile in the provinces of Manabí and Esmeraldas, payments for capital goods not produced in Ecuador and destined to productive processes or the provision of services located in the affected areas.

The Foreign Currency Exit Tax (ISD) may be used as a tax credit for the determination of income tax for up to 5 years, provided that it originated in the importation of raw materials, inputs and capital goods for the purpose of that are incorporated into productive processes and that are included in the list issued by the Tax Policy Committee.

Tax reviews

The Internal Revenue Service, in accordance with legal provisions, has the power to review the income tax returns of the Company, within three years from the filing date of the tax return. The Company has not been reviewed until March 31, 2019.

Tax reforms

On August 28, 2018, the Official Law No. 309 supplement published the Organic Law for Productive Development, Attraction of Investments, Employment Generation, and Fiscal Stability and Balance, which establishes certain tax incentives and changes, which mainly They are summarized below:

- Exemption in the payment of income tax and advance payment of income tax between 8 and 12 years to new productive investments made in sectors or basic industries established in the Organic Code of Production, Trade and Investment, be these new companies or made by the current companies, the aforementioned exoneration is extended between 3 and 8 years when these investments are made in border areas.
- Exoneration of the Foreign Exchange Tax "ISD" between 8 and 20 years to the new productive investments in the payments for import of capital goods and raw materials as well as in the distribution of dividends to effective beneficiaries, when they sign investment contracts.
- Exemption in income tax and "ISD" for the reinvestment of profits of at least 50% in the acquisition of new productive assets.
- Eliminates the minimum tax - advance payment of income tax and when there is excess payment is recoverable when no income tax is generated or in the event that the income tax caused in the year was less than the advance paid more the withholdings
- The profit generated in the direct or indirect transfer of shares, participations, other capital rights are subject to a single rate between 0% and 10% based on the amount of the profit obtained.
- Dividends and profits distributed to other national or foreign companies (excluding tax havens and lower tax jurisdictions) or to individuals not residing in Ecuador are exempt, this exemption does not apply when the beneficial owner is a resident natural person in Ecuador; or the company that distributes the dividend does not comply with its effective beneficiaries, which are subject to a 10% withholding on the effective dividend.

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Return of Value Added Tax - VAT for companies that develop social interest housing projects.

NOTE 22 – CONTINGENCIES

As of March 31, 2019, and 2018, the Company does not present commitments and contingencies:

NOTE 23 – TRANSFER PRICING

The Ecuadorian Government through Executive Decree No. 2430, published in the Supplement to Official Gazette No. 494, of December 31, 2004, established that the companies that conduct transactions with related parties domiciled abroad will submit to the Internal Revenue Service (SRI in Spanish) Annex and Transfer Pricing study concerning transactions with foreign related parties.

The Tax Administration through legal Resolution No. DGERCGC15-0000455 May 25, 2015 changed the scope for reporting, also including local transactions with related parties and amounts for the fiscal year ended as of December 31, 2012. In accordance with current tax regulations regarding compliance of transfer prices are as follows:

a) Transfer Pricing Comprehensive Report

Companies performing operations or transactions with one company for more than US\$15,000,000 (are required to submit a comprehensive report on transfer pricing).

b) Transfer Pricing Annex

Companies performing operations or transactions with a single company between US\$3,000,000 to US \$ 14,999,999 are required to submit further information of Transfer Pricing in an Annex established by the IRS (SRI in Spanish)

The companies engaged in transactions or operations (purchases and / or sales) exceeding 50% of total transactions are considered related for tax purposes regardless of the contractual aspects or legal ties parts.

At the issuance date of these financial statements related party transactions do not exceed the limits for the submission of supplementary information of transfer pricing.

NOTE 24 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial Risk Management objectives and policies

Due to the nature of its activities, the Company is exposed to credit, interest rate, liquidity and exchange rate risks, which are constantly monitored in order to identify and measure their impacts and establish the limits and controls that reduce the effects in the results of the Company. The process of evaluating and controlling risks in the business is critical for profitability and the Company is responsible for risk exposures.

The risk management structure is based on the Shareholders - Head Office and the Company Management, Financial Management and Sales Management, which are responsible for identifying and controlling the risks in coordination with other areas, as explained below:

(i) Shareholders – Headquarters

The shareholders - headquarters are responsible for the general approach to risk management, provide the principles for risk management, as well as the policies prepared for specific areas, such as exchange rate risks, interest rate risk, risk of credit and the use of derivative financial instruments.

(ii) General Management

The General Management is responsible for the general approach to risk management, which provides the principles for risk management, as well as the policies prepared for specific areas, such as exchange rate risk, interest rate risk, credit risk, and the use of derivative financial instruments.

(iii) Finance

The Finance area is responsible for the control and administration of the cash flow of the Company based on the policies, procedures and limits established by the shareholders, directors and the Management of the Company, including the follow-up to said procedures to improve the administration of Company risks.

The financial department coordinates access to national financial markets and manages financial risks.

These risks are: market risk (variation of currency and interest rate) and credit risk. The main objective is to supervise and maintain a minimum exposure to risks without using derivative contracts (swaps and forward) and to assess and control credit and liquidity risks.

Also, the control and recovery of accounts receivable for the sales generated in the period and for those that may be respected, determining together with the marketing department, discount options to its customers that will help mitigate the negative effect on the recovery of these flows.

b) Risk Mitigation

The Company constantly evaluates the different scenarios and identifies different strategies to manage exposures resulting from changes in interest rates, foreign currency, capital risk and credit risks.

The Administration reviews and evaluates the changes in policies for the administration of such risks, which are summarized below:

Market Risk

Market risk controls the fair value of financial instruments due to changes in market prices, which depend on changes in the interest rate, exchange rate and other price risks, among which is the equity risk.

Financial instruments affected by market risk include deposits in banks and obligations with banks.

Interest rate risk

The interest rate risk allows to evaluate and monitor the fair value of financial instruments, due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is mainly related to the Company's long-term debt obligations at variable interest rates.

The company periodically evaluates the exposure of short- and long-term debt to changes in the interest rate, considering its own expectations regarding the future evolution of rates.

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The financial assets and liabilities that the Company has as of March 31, 2019 and 2018 do not accrue, do not generate interest and are not exposed to this risk and its summary is detailed in note 7.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its payment obligations related to financial liabilities at maturity and replace the funds when they are withdrawn. The consequence would be the failure to pay their obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining lines of credit and / or maintaining surplus liquidity, which allows the Company to carry out its activities normally.

The management of liquidity risk involves maintaining enough cash and availability of financing, through an adequate amount of committed credit sources and the ability to settle transactions mainly of indebtedness. In this regard, the Company's Management focuses its efforts on maintaining sources of financing through the credit lines availability.

The following table shows the maturity of the obligations assumed by the Company at the balance sheet date and the amounts to be disbursed at maturity, based on the undiscounted payments to be made:

2019	Until 1 month	1 to 3 months	3 to 5 months	5 to 12 months	More than 1 year	Total
<u>Financial assets:</u>						
Cash and cash equivalents	30.641	-	-	-	-	30.641
Local customers	<u>1.441.028</u>	<u>153.713</u>	<u>39.792</u>	<u>6.732</u>	-	<u>1.641.264</u>
<u>Financial liabilities:</u>						
Suppliers accounts payable	146.284	142.179	89.931	-	-	378.394
Related accounts payable	-	<u>374.886</u>	<u>110.450</u>	<u>387.949</u>	<u>57.078</u>	<u>930.364</u>
<u>2018</u>						
<u>Financial assets:</u>						
Cash and cash equivalents	-	-	-	-	-	-
Local customers	<u>538.108</u>	<u>60.894</u>	<u>54.783</u>	-	-	<u>653.785</u>
<u>Financial liabilities:</u>						
Suppliers accounts payable	73.912	71.837	45.438	-	-	191.187
Related accounts payable	<u>582.877</u>	<u>179.347</u>	<u>89.673</u>	<u>44.837</u>	-	<u>896.734</u>

Risk of capital management

The Company actively manages a capital base to cover the risks inherent in its activities. The capital adequacy of the Company is monitored using, among other measures, the ratios established by management.

The Company's objectives when managing capital, which is a broader concept than the "Net Equity" shown in the balance sheet are:

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- (i) Safeguard the ability of the Company to continue operating in a manner that continues to provide returns to shareholders and benefits to other participants; and,
- (ii) Maintain a strong capital base to support the development of its activities.

As of March 31, 2019 and 2018, there have been no changes in the activities and policies of capital management in the Company.

The debt-equity ratio, adjusted net of the Company as of March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total liabilities	1.595.403	1.038.756
Less: cash and cash equivalents	<u>30.641</u>	<u>403.447</u>
Net debt	<u>1.626.044</u>	<u>1.442.202</u>
Shareholder equity	<u>726.418</u>	<u>760.371</u>
Index of debt equity	<u>2,24</u>	<u>1,90</u>

The Company is part of the Glenmark Pharmaceuticals Limited Group of India and supports the operations of the Company.

Credit risk

The Company is exposed to credit risk due to its operating activities mainly for cash and cash equivalents - deposits with banks, accounts receivable customers and other accounts receivable.

Regarding cash and other cash equivalents in banks and financial institutions and corresponding to short-term operations and immediate liquidity, the risk is monitored through the qualifications required by the Control Bodies, which are periodic and are carried out by third parties (independent) specialized and qualified by the control entities.

The credit risk is managed according to the policies, procedures and controls established by the Company. The credit quality of the client is evaluated permanently. Outstanding customer charges are supervised. The maximum exposure to credit risk at the reporting date is the value of each class of financial assets.

The Company has established a risk policy for the granting of loans to customers, which includes:

- Review and analysis of the information collected by credit officers, according to parameters established by the Company's Management.
- Approval by the Financial and Administrative Management of the credit term.

The Company has defined in its credit rating policy, that public sector entities will not be subject to credit analysis or restriction on quotas, since the term of collection will be defined in the contractual terms and conditions.

The Company establishes an estimate for impairment, which represents its best estimate of the losses to be incurred in relation to financial and non-financial assets subject to credit risk. This estimate considers the maximum loss determined based on an evaluation of them.

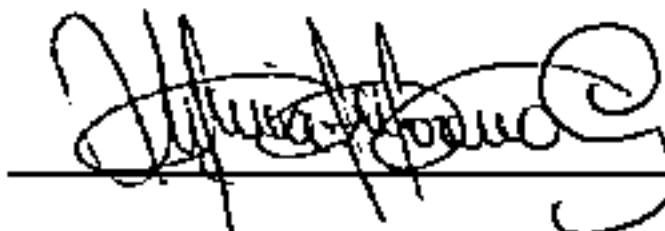
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NOTE 25.- SUBSEQUENT EVENTS

Between March 31, 2019 and the date of issuance of these financial statements, May 10, 2019, no events occurred which, in the opinion of the company's administration, could have a significant effect on those financial statements that have not been Revealed in them or in their notes.



Mauricio Rivadeneira
Country Manager



Silvia Moreno
General Accountant



Alex Hernández
Financial Controller