

**GLENMARK PHARMACEUTICALS MEXICO, S.A.
DE C.V.**

**Financial Statements for the years ended
March 31, 2019 and 2018 and Independent Auditors' Report**

April 19, 2019



Independent Auditor's Report

To the Board of Directors and Shareholders

Glenmark Pharmaceuticals México, S.A. de C.V.

Opinion

We have audited the accompanying financial statements of Glenmark Pharmaceuticals México, S.A. de C.V. (hereinafter referred to as "the Company"), which comprise the situation balance as at March 31, 2019 and March 31, 2018, the statement of results, the statement of changes in net equity and the statement of cash flows for the years then ended, and the related notes to the financial statements and a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial situation of the Company as at March 31, 2019 and March 31, 2018, and its results and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We conducted our audit in compliance with the International Standards on Auditing (ISAs). Our responsibility under said standards is described with further detail in the section "Auditor's Responsibility for the Audit of Financial Statements" of our report. We are an entity independent from the Company in accordance with the ethical requirements applicable to our audit of financial statements in Mexico, and we have fulfilled our other ethical responsibilities in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Auditing Core Issues

Auditing core issues are those issues that, according to our professional judgement, have had a greater relevance in our audit of the financial statements for the current term. These issues have been treated in the context of our audit of the financial statements altogether and in the preparation of our opinion thereon, and we do not express a separate opinion about these issues.

Management's and Governing Bodies' Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of the accompanying financial statements in accordance with the International Financial Reporting Standards (IFRS), 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.

During the preparation of financial statements, Management is responsible for assessing the Company's capability to continue being an operating business, disclosing, given the case, issues related to the operating business and using accounting bases of operating business except when Management intends to liquidate the company or cease operations, or it has no other realistic alternative for doing it.

The entity's governing bodies are responsible for monitoring the financial information procedures of the Company.

Auditor's Responsibility for the Audit of Financial Statements



Our goals are to obtain reasonable assurance about whether the financial statements altogether are free of material misstatement, whether due to fraud or error, and in order to issue the auditor's report containing our opinion. Reasonable assurance represents a high level of assurance, but it does not guarantee that an audit conducted in compliance with the ISAs will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and are considered of material nature if, whether individually or altogether, one can expect them to reasonably impact the financial decisions that users will take based of these financial statements.

When presenting an audit in compliance with the ISAs, the auditor exercises their professional judgment and maintains the professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error; we devise and conduct the auditing procedures that respond to those risks; and we obtain sufficient and appropriate audit evidence to provide a reasonable basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than not detecting that resulting from error, given that fraud involves collusion, forgery, intentional omissions, distortion, or nullification of internal control.
- We obtain knowledge on the internal control relevant to the audit, in order to design audit procedures that are appropriate within the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- We conclude, concerning the appropriateness of the use of the accountable bases of operating business and, based on the obtained evidence, if there exists a material uncertainty related to events or conditions that might originate a significant doubt about the capability of the Company to continue being an operating business. If we do conclude that there exists a material uncertainty, we are asked, in our auditor's report, to stress what information is to be disclosed related to the financial statements or, if said information for disclosure is insufficient, to modify our opinion. Our conclusions are based in the audit evidence obtained up to the date of our auditor's report. However, future occurrences or conditions may cause the Company to cease being an operating business.
- We assess the general presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the transactions and underlying occurrences in a manner that they render a reasonable presentation.

We communicate with governing bodies regarding, among further issues, the intended scope and the moment of audit undertaking and the significant audit results, including any possible significant deficiencies within internal control that may have been identified during our audit.

We also deliver, for the interest of governing bodies, a declaration stating that we have complied with the pertinent ethical requirements regarding independence from the company.

Further Issues

The accompanying financial statements have been prepared to allow its parent company Glenmark Pharmaceuticals Ltd. to consolidate its financial statements.

Asesores Profesionales
Contadores Públicos Consultores, S.C.



Rafael Arenas Hernández

Asesores Profesionales Contadores Públicos Consultores, S.C.

C.P.A. Rafael Arenas Hernandez

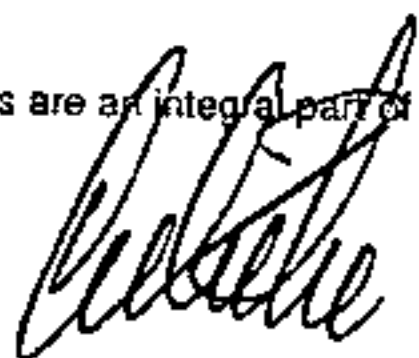
México City, the 19th of April, 2019

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Balance Sheets as of March 31, 2019 and 2018
(In Mexican pesos)

ASSET	Note	<u>2019</u>	<u>2018</u>	LIABILITIES AND STOCKHOLDERS' EQUITY	Note	<u>2019</u>	<u>2018</u>
<i>Current Asset</i>				<i>Current Liabilities</i>			
Cash and Cash equivalents		\$ 46,691,184	\$ 53,081,297	Accounts Payable		\$ 39,139,834	\$ 30,063,254
Accounts Receivable				Taxes Payable		3,629,018	1,873,512
Customers	(3)	54,839,538	41,725,331	Related Parties	(6)	59,995,109	26,040,746
Related Parties	(6)	35,807,533	9,300,273				
Loans and advances		1,163,279	282,265				
Recoverable Value Added Tax		6,305,649	4,908,500	<i>Total current liabilities</i>		102,763,962	57,977,513
Advance payment		7,136,634	4,786,695				
		<u>105,252,635</u>	<u>61,003,064</u>	Employee retirement obligations	(7)	2,999,470	2,829,821
Total Accounts Receivable				Accumulated liabilities	(8)	12,862,257	-
Inventories	(4)	44,228,678	32,072,691	<i>Total liabilities</i>		<u>118,625,689</u>	<u>60,807,334</u>
<i>Total current asset</i>		<u>198,172,495</u>	<u>146,157,051</u>				
<i>EQUIPMENTS</i>				<i>Stockholders' equity</i>			
Equipments - Net	(5)	20,940,483	7,133,142	Common stock	(8)	404,975,502	404,975,502
				Accumulated loss		(251,471,019)	(228,857,046)
Deferred income taxes	(9)	57,062,179	51,942,528	Net loss		11,571,885	(22,613,973)
				<i>Total Stockholders' equity</i>		<u>165,076,368</u>	<u>153,504,483</u>
Intangibles	(5)	9,526,900	9,079,095				
TOTAL ASSETS		<u>\$ 283,702,057</u>	<u>\$ 214,311,817</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 283,702,057</u>	<u>\$ 214,311,817</u>

The attached notes are an integral part of these financial statements.



L.C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Statements of comprehensive (gain) loss

For the years ended March 31, 2019 and 2018

(In Mexican pesos)

	Note	<u>2019</u>	<u>2018</u>
Net Sales	\$	230,450,680	\$ 207,831,211
Cost of Sales		<u>72,830,616</u>	<u>68,766,739</u>
Gross profit		157,620,064	139,064,472
Operating Expenses		151,106,588	163,597,202
Net Operating loss		<u>6,513,476</u>	<u>(24,532,730)</u>
Cost (income) from financing			
Interest Earned By		635,134	225,635
Bank commissions		583,065	29,726
Foreing exchange (gain) loss - net		<u>(230,916)</u>	<u>1,442,389</u>
		<u>987,283</u>	<u>1,697,750</u>
Oher		<u>(2,907,995)</u>	<u>(39,769)</u>
Loss before provisions		<u>8,434,187</u>	<u>(26,190,711)</u>
Provisions:			
Share of profits		1,981,953	3,436,433
Deffered Income Tax	(9)	<u>(5,119,651)</u>	<u>(7,013,171)</u>
Net loss	\$	<u><u>11,571,885</u></u>	\$ <u><u>(22,613,973)</u></u>

The attached notes are an integral part of these financial statements.



L.C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.
Statements of Changes in Stockholders' Equity
For the years ended March 31, 2019 and 2018
(In Mexican pesos)

	Capital Stock	Accumulated loss	Net loss	Total Stockholders' Equity
<i>Balances as of March 31, 2017</i>	\$ 341,093,670	\$ (228,053,075)	\$ (603,970)	\$ 112,236,624
Increase in Capital	63,881,832			63,881,832
Application to accumulated losses	-	(803,970)	603,970	-
Net loss for the year	-	-	(22,613,973)	(22,613,973)
<i>Balances as of March 31, 2018</i>	\$ 404,975,502	\$ (228,857,045)	\$ (22,613,973)	\$ 153,504,483
Application to accumulated losses	-	(22,613,973)	22,613,973	-
Net gain for the year	-	-	11,571,885	11,571,885
<i>Balances as of March 31, 2019</i>	\$ 404,975,502	\$ (251,471,018)	\$ 11,571,885	\$ 165,076,368

The attached notes are an integral part of these financial statements.



L.C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Statements Of Cash Flow For the years ended March 31, 2019 and 2018 (In Mexican pesos)

	2019	2018
<u>Operating Activities</u>		
Loss before provisions	\$ 8,434,187	\$ (26,190,711)
Items related to operating activities		
Gain for sale of fixed assets	(2,894,083)	(305,092)
Depreciation	1,327,119	3,843,765
	6,867,223	(22,652,038)
Net changes in operating accounts	(1,903,815)	8,884,514
Net Cash Flows from operating activities	4,963,408	(13,767,524)
<u>Investment Activities</u>		
Acquisition of equipment	(1,157,140)	(4,105,568)
Intangibles	-	(3,811,491)
Sales of fixed assets	8,003,815	401,025
Legal right for assets	(18,200,196)	-
Net Cash Flows from investing activities	(11,353,521)	(7,516,034)
<u>Financing Activities</u>		
Increases of capital stock	-	63,881,832
Net Cash Flows from financing activities	-	63,881,832
(Decrease) increase of cash and cash equivalents	(6,390,113)	42,598,274
Cash and cash equivalent at the beginning of the period	53,081,297	10,483,023
Cash and cash equivalent at the end of the period	\$ 46,691,184	\$ 53,081,297

The attached notes are an integral part of these financial statements.



L.C. Catalino Bocanegra Gómez
Controller

GLENMARK PHARMACEUTICALS MEXICO, S.A. DE C.V.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

(Amounts expressed in Mexican pesos)

NOTE 1 LINE OF BUSINESS, BASIS OF PRESENTATION, AND MANAGEMENT

A) Line of Business.

Glenmark Pharmaceuticals México, S.A. de C.V. (the "Company"), is a subsidiary of Glenmark Uruguay S.A. Glenmark Pharmaceuticals LTDA, and Glenmark Pharmaceuticals LTD the latter being the holding company.

The company was incorporated on August 21, 2008, in Mexico City.

The main purpose of the company is the import, distribution and commercialization of pharmaceutical products, of the following therapeutical lines: Dermatological, Respiratory, Hospitalary and Oncological.

B) Management Plan.

The Company has the full support of its Parent Company to continue its operation in Mexico. The Company has a growth plan whereby, from 2019, it achieves self-sufficiency and its break-even point, applying the following strategy:

- Focus the efforts on the highest volume and profitability products of each one of the therapeutic areas;
- Release to market the following two products: Mometasone + Azelastine and Gofarm (Saline Water);
- Increase sales through the growth of the four product portfolios, by means of an efficient promotion of our products to physicians, as well as the growth and opening of new distribution channels;
- Continue with strict control over operative expenses, increasing productivity and improving business operation processes;
- Accelerate the processes of submission and approval of new products in the oncological, respiratory, dermatological and hospital areas;
- Successful introduction of new products, larger investments to scientific and academic content, as well as generation of demand through medical facilities and assurance of product presence in key sale points nationwide.

C) Achievements Succeeded

- Total net sales grew 11% over the last year. The next year, it is planned to grow over 20%, including new products and improving the performance of existing products in the promotion, as well as in the distribution channels and sale points.

D) Bases of Presentation.

- The Company prepares financial statements in compliance with the International Financial Reporting Standards (IFRS). Said standards demand consistent provision and implementation of accounting policies for transactions and occurrences. Outlined in note 2 are those policies considered particularly significant.
- In some cases, it is necessary to use estimations and further professional judgements to apply the accounting policies. Judgements undertaken by Management during the process for implementing accounting policies and that possess greater significance on the amounts presented in the financial statements are established in note 2.
- The Company's Management, making use of their professional judgement, believes that the estimates and assumptions were appropriate to the given circumstances.
- Costs and expenses shown in the Statement of Results are presented in accordance with their function, given that this classification allows the pertinent assessment on the gross income.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES.

The most significant accounting policies, as followed by the Company and in compliance with the IFRS, are as follow:

A) Cash and Cash Equivalents.

Cash on hand and cash at banks denominated in domestic currency is expressed in nominal value. Equivalent amounts of cash denominated in foreign currencies and demand investments are expressed in their fair value.

B) Accounts Receivable and Revenue Recognition

Accounts receivable represent amounts payable by customers and originate from the sale of goods during the normal flow of their operations. Revenue is recognized in the term in which the risks and benefits are transferred from the inventories to the customers.

C) Inventories

Inventories and their cost of sales are expressed in their historical value, determined by the average cost method. The specified value of the inventories, of their net realizable value.

D) Leases

Leases are classified as finance leases, provided that the terms of the lease substantially transfer all the risks and benefits inherent to the ownership of the asset leased to the Company. All the other leases are classified as operative.

The rights over the assets held in finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, at the present value of the minimum lease payments) at the beginning of the lease. The corresponding liability with the lessor is included in the statement of financial position as a financial lease obligation. The lease payments are divided between financial charges and reduction of the lease obligation, in order to achieve a constant interest rate on the remaining balance of the liability. Financial charges are deducted over the results. Assets held in financial leases are included as property, plant and equipment, and the depreciation and evaluation of impairment losses are carried out in the same way as for the assets owned by the Group. Income tax payable from operative leases are charged to the results on a linear basis for the term of the corresponding lease.

E) Equipment and Leasehold improvements

Equipment are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of assets in both years as follows:

	<u>Years</u>
Computer equipment	3
Vehicles	4
Furniture and equipment	10
Leasehold improvements	20

F) Liabilities, provisions, contingent liabilities and commitments

The liabilities for provisions are recognized for current obligations (legal or assumed) as a result of a past event, are probable to result in the future use of economic resources and that can be reasonably estimated

The provisions for contingent liabilities are only recognized when there is a probable output of economic resources for their cancellation. As well, commitments are only recognized when they generate a loss.

G) Benefits to the employees

Severance payments-

The Federal Labor Law establishes the obligation to pay severance payments to the personnel that stop rendering their services in certain circumstances.

Seniority premium –

According to the provision of the Federal Labor Law, when an employee has worked fifteen years or more, when leaving their job they must receive a compensation equivalent to twelve salary days for each year worked

The liabilities due to employee benefits granted by the entity are determined as follows:

-The liabilities for direct short-term benefits, are recognized as these are incurred, based on the current salaries, expressed at their nominal value. As of March 31, 2019 there are no direct long-term benefits.

-The liabilities due to the retirement and termination of the labor relation before reaching retirement age are determined by considering the present value of the obligation due to benefits defined as of the date of the general balance sheet. The remuneration included in the determination of these liabilities correspond to severance indemnities and seniority premium attributable to death, disability, severance and voluntary withdrawal before retirement date, all of these determined in accordance with the applicable labor provision.

-The cost of the severance and retirement benefits is determined on the basis of actuarial calculations prepared by independent experts.

- Other payments based on seniority of employment or death, in accordance with the Federal Labor Law, will be charged to the expenses of the year, when these are due.

Current and deferred income tax.

Pursuant to the provisions in force established in the IFRS NIC-12 "Income Tax", the incurred tax determined on the basis of the tax provisions in force is recorded in the income for the year to which it is attributable. The income tax caused in the year, is presented as a short term liability net payments carried out during the year.

The deferred income tax are determined on the method of the assets and liabilities, which consists of comparing the accounting and tax values of the assets and liabilities of the entity, from which both deductible and accruable temporary differences arise. The respective tax rate is applied to all the resulting temporary differences and they are recognized as a deferred asset or liability. The Company recognized the deferred income tax asset, whenever the financial and tax projections prepared by the Company show that they will essentially pay income tax in the future.

Transactions and valuation of balances in foreign currency.

The recognition of operations and balances in foreign currency are valued at the exchange rate in effect on the date of execution. Assets and liabilities are expressed at the exchange rate at the balance sheet date. The exchange differences arising from fluctuations in the exchange rate between the date on which the transactions were carried out and those of settlement or valuation at the date of the statement of financial position, are recorded within the comprehensive financing result.

Use of Estimations.

The preparation of financial statements in agreement with the IFRS, requires that the administration of the company carries out estimations that affect the amounts reported in the financial statements. The real results could differ from these estimations.

NOTE 3 ACCOUNTS RECEIVABLE

As of March 31, 2019 and 2018, this heading was as follows:

	2019	2018
Customers	\$ 60,835,538	\$ 45,721,331
Allowance for doubtful accounts	<u>(5,996,000)</u>	<u>(3,993,000)</u>
	\$ 54,839,538	\$ 41,725,331

NOTE 4 INVENTORIES

As of March 31, 2019 and 2018 this heading was as follows:

	2019	2018
Finished goods	\$ 38,390,338	\$ 25,165,177
Goods in transit	<u>5,838,340</u>	<u>6,907,514</u>
	\$ 44,228,678	\$ 32,072,691

NOTE 5 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of March 31, 2019 and 2018 this heading was as follows:

	2019	2018
Office equipment	\$ 870,696	\$ 688,955
Computer equipment	3,588,190	2,916,375
Vehicles	2,215,985	15,545,332
Machinery equipment	446,108	446,108
Software	924,125	153,237
Leasehold improvements	1,075,743	1,075,743
Leases	<u>18,200,196</u>	<u>0</u>
	27,321,043	20,825,750
Less: Accumulated depreciation:	<u>(6,380,560)</u>	<u>(13,692,608)</u>
Equipment – Net	\$ 20,940,483	\$ 7,133,142

Intangibles	<u>13,141,748</u>	<u>11,098,389</u>
	13,141,748	11,098,389
Less: Accumulated amortization	<u>(3,614,848)</u>	<u>(2,019,294)</u>
Intangibles – Net	\$ 9,526,900	\$ 9,079,095

NOTE 6 RELATED PARTIES

As of March 31, 2019 and 2018, payable balances and transactions with related parties were as follows:

a) Balances:

	2019	2018
<u>Accounts Receivable</u>		
Glenmark Pharmaceuticals Peru S.A		782,380
Glenmark Pharmaceuticals LTD		<u>8,517,893</u>
		\$ 9,300,273
<u>Liabilities</u>		
Glenmark Pharmaceuticals Ltd – India		
Share application money		
Closing balance of payables	54,605,100	21,673,590
Glenmark Farmacéutica LTDA – Brasil		
Closing balance of payables	<u>3,553,915</u>	2,603,427
Glenmark Generics, S.A		
Closing balance of payables	<u>1,836,095</u>	<u>1,763,729</u>
	<u>\$59,995,109</u>	<u>\$26,040,746</u>

b) Transactions

	2019	2018
<u>Glenmark Generics, S.A.</u>		
Purchase of finished goods	\$ 8,080,958	\$ 4,257,266
<u>Glenmark Pharmaceuticals Ltd – India</u>		
Increase in Capital Stock		\$ 63,881,832
Purchase of finished goods	\$ 29,602,890	\$ 40,247,464
Revenue - Promotion		
<u>Glenmark Farmacéutica LTDA Brasil</u>		
Purchase of finished goods	\$ 9,659,264	\$ 9,183,828
Glenmark Pharmaceuticals Peru SA		

Sales of finished goods \$ 717,730

NOTE 7 EMPLOYEE BENEFITS

Employee benefit plans have been established for the end of the labor relation and due to retirement for reasons other than restructuring. Benefit plans for the end of the labor relation consider severance indemnities (including accrued seniority premium) and which will not reach the separation or retirement plan benefits. The retirement benefit plan consider the years of service by the employee and his/her remuneration as of the date of separation or retirement. The retirement plan benefits include severance and seniority premium that workers are entitled to receive at the end of the labor relation, as well as other defined benefits. The valuation of both benefit plans was made on the basis of actuarial calculations carried out by independent experts.

	Termination benefits	Retirement benefits	<u>Total</u> <u>2019</u>
Defined benefit obligation	126,191	2,703,630	2,829,821
Interest paid	9,886	211,808	221,694
Plan assets	32,249	396,154	428,403
Non-amortized items	(96,858)	0	(96,858)
Recognition of actuarial losses	<u>71,292</u>	<u>(454,882)</u>	<u>(383,590)</u>
Net projected liability	142,760	2,856,710	\$ 2,999,470

NOTE 8 STOCKHOLDERS' EQUITY

Under Mexico's current Income Tax Law, the distribution of dividends or the reductions of capital, except in fiscal profit accounts and contributions of restated capital which do not exceed the stockholder's equity, will incur an income tax applicable to dividends payable by the Company equal to 1.4286% of the dividends paid. The income tax paid from this distributions can be credited during the following two fiscal periods against the Company's income tax payable.

NOTE 9 FISCAL ENVIRONMENT

- A) Income tax rate: income tax is payable at 30% rate on the basis that differs from the accounting income, mainly due to the effects of inflation, through the depreciation of fixed assets and the annual adjustment for inflation, as well as other items of expenses that are not deductible for tax purposes.
- B) Tax profit obtained: for the period ended March 31, 2019, the Company generated a tax profit of \$16,383,095, which was amortized against tax losses from previous years.

C) Non-amortized tax losses: in accordance with the Income Tax Law, tax losses can be amortized against future taxable profits during the following 10 fiscal years. The non-amortized tax losses, at historical values, for the fiscal years 2010 to 2016 amount to \$237,146,280.

D) Deferred income tax is determined by using the method of assets and liabilities. A summary of the main items that comprise the deferred tax as at March 31, 2019 and 2018, is as follows:

Deferred tax assets (liabilities)	2019	2018
Labor obligation upon retirement	(913,766.70)	(848,946)
Prepaid expenses	862,932	645,390
Accrued expenses	(2,792,969)	(1,503,247)
Assets to be destroyed	(1,544,121)	(967,988)
Reserve of uncollectible accounts	(1,678,800)	1,198,800
Fixed asset	85,585	298,162
Tax loss carryforwards	(76,665,513)	(77,037,142)
Employee participation in profits	(632,525.54)	(1,030,929)
Total deferred taxes	<u>(83,279,178)</u>	<u>(81,643,500)</u>
Less: Valuation allowances	<u>26,216,999</u>	<u>29,700,972</u>
Total current deferred taxes	<u>\$ (57,062,179)</u>	<u>\$ (51,942,528)</u>

NOTE 10 POSITION IN FOREIGN CURRENCY

The company has a policy of valuing foreign currency for corporate exchange rate, based on global economic analysis, obtained from the website www.oanda.com

As of March 31, 2019 and 2018, the company has the following position in foreign currency:

	Euros		American Dollars	
	2019	2018	2019	2018
Asset	0	18,648	1,847,734	479,708
Liabilities	<u>(1,250)</u>	<u>0</u>	<u>(3,095,834)</u>	<u>(1,527,896)</u>
Position (liabilities) assets, net	<u>(1,250)</u>	<u>18,648</u>	<u>(1,248,100)</u>	<u>1,048,188</u>

As of March 31, 2019 and 2018, the foreign exchange rate stood at \$ 19.3793 / US \$1.00 and \$ 18.2709 / US \$1.00, respectively.

As of March 31, 2019 and 2018, foreign exchange rate stood at \$ 22.0000 / Euro \$1.00 and \$ 20.6404 / Euro \$1.00 , respectively.

NOTE 11 LEASES - IFRS 16

In January 2016, the IASB issued the new IFRS 16 Leases, with which it introduces a single accounting lease model for lessees. The lessee recognizes a right-of-use asset that represents its right to use the underlying asset and a lease liability that represents its obligation to make lease payments.

The standard is effective for the annual periods as of January 1st, 2019, or later. Early adoption is permitted provided that the entities apply IFRS 15 on the date of initial application. The Company adopted its application as of January 1st, 2019.

As at March 31, 2019, the balances were as follows:

	Short term	Long term
Vehicles lease	5 253 939	12,714,057
Office Equipment lease	<u>84 000</u>	<u>148,200</u>
	5,337,939	12,862,257

NOTE 12 RECENT ISSUINGS

I.- Improvements on FRS that convey accounting changes

FRS C-1 Cash and cash equivalents and FRS B-2 Statement of cash flows. Amendment to the definitions of cash, cash equivalents and high liquidity financial instruments. Assessment of cash and cash equivalents.

FRS B-10 Effects of inflation and Bulletin C-9 Liabilities, provisions, contingent assets and liabilities and commitments. Amendment to the definitions of financial instruments available for sale. Amendment to the classification criteria for dated financial instruments. Induction of the term "transaction cost". Valuation effects from financial instruments. Reversion for the loss caused by impairment of financial instruments classified as held-to-maturity.

II.- Improvements on FRS that do not convey accounting changes

Several FRS. Standardization for the definition of fair value

FRS C-3 Accounts receivable. Clarification on the scope of the standard

The Company believes that these provisions did not represent a material impact on the presentation of their financial statements.

NOTE 13 COMMITMENTS

The company leases its administrative offices and a storage contract, packaging, order preparation process, transport and physical distribution of products, which has the right to occupy a warehouse

space granted and assigned.

The contracts are the following:

<u>Location</u>	<u>Expiration date</u>	<u>Amount paid</u>
Mexico Central offices	July 14 th , 2019	\$1,351,536
Warehouse	July 31 th , 2019	\$3,114,643

NOTE 14 AUTHORIZATION FOR ISSUING THE FINANCIAL STATEMENTS

The emission of these Financial Statements was authorized for Mr. Catalino Bocanegra, Controller, on April 19, 2019.

These notes are an integral part of the financial statements.
