

GLENMARK PHARMACEUTICALS VENEZUELA, C.A.

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

May 13, 2019



Independent Auditor's Report

To the Board of Directors and Shareholders

Glenmark Pharmaceuticals Venezuela C.A.

Opinion

We have audited the accompanying financial statements of Glenmark Pharmaceuticals Venezuela C.A. (hereinafter referred to as "the Company"), which comprise the situation balance as at March 31, 2019, the statement of results, and the statement of cash flows for the year 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 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 Venezuela, 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



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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.

The political and economic environment of Venezuela represents challenges for the Company; these challenges include, among others, the existence of various types of exchange, currency exchange, high levels of inflation, lack of liquidity in all the available exchange mechanisms, as well as periodic interventions by the Venezuelan government in the operations of the companies that have activities in that country, which include the constant changes in its laws and regulations.

During our audit, we focused on this matter due to the judgment required of the Company's administration in determining whether the Company continues to have control over the relevant activities of its Venezuelan operations in accordance with the provisions of IFRS 10, the foregoing considering the restrictions of access to foreign currency.

Analysis of the Audit in this matter.

We analyze the evaluation by the administration of the loss of control over the relevant activities attributable to the operations in Venezuela under IFRS 10. This included the ability of administration to manage its capital structure and assets, establishment of sales strategies, determination of prices, financial decisions, and cost infrastructure, among others;

"The economic entity is presumed to be in permanent existence, within an unlimited time frame, unless proven otherwise; consequently, the figures in the accounting information system represent systematically obtained values, based on the MFRS. Provided that



these conditions prevail, estimated values from the disposition or liquidation of the entity's total net assets shall not be determined".

While preparing the financial statements, the administration of an entity that uses this IFRS shall evaluate the capacity of the entity to continue operating. An entity is a going concern unless administration intends to liquidate it or cease operations, or in case no more realistic alternative exists other than to proceed in one of these directions. In order to determine whether the hypothesis of a going concern is appropriate, administration shall take into consideration all the available information regarding the future, which must cover at least twelve months following the date on which it is reported, or more:

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



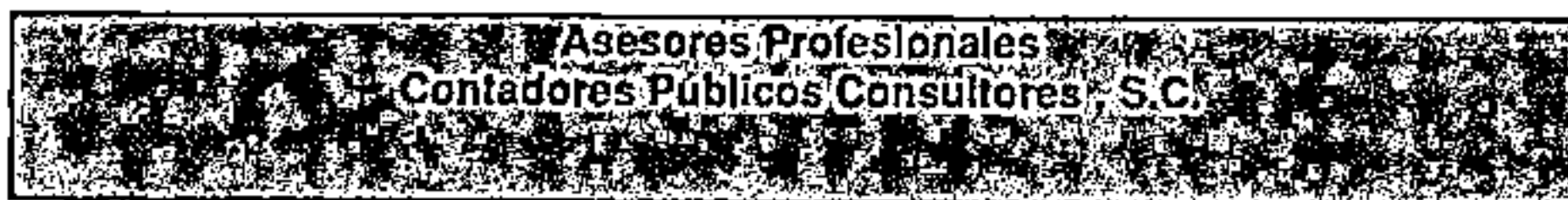
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a high level of assurance, but it does not guarantee that an audit conducted in compliance with the ISAs will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and are considered of material nature 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.

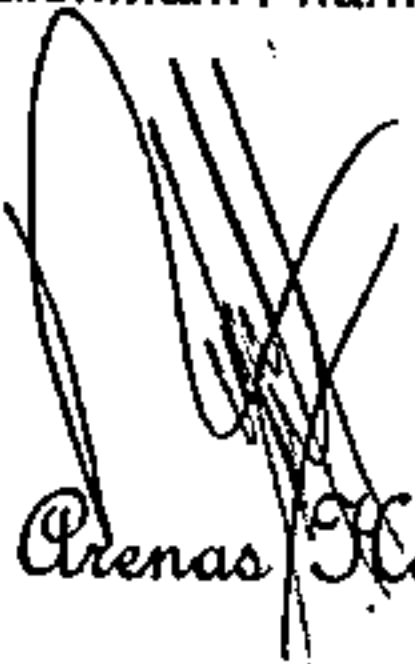
- We assess the general presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the transactions and underlying occurrences in a manner that they render a reasonable presentation.

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.



Rafael Arenas Hernández

Asesores Profesionales Contadores Públicos Consultores, S.C.

C.P.A. Rafael Arenas Hernández

México City, the 13th of May, 2019

GLENMARK PHARMACEUTICALS VENEZUELA, C.A.**BALANCE SHEET AS AT MARCH 31, 2019 AND 2018****ORIGINAL CURRENCY: BOLIVARS**

	As at 31-03-19	As at 31-03-18
I. SOURCES OF FUNDS		
1. SHAREHOLDERS' FUNDS		
a) Share capital	3,879	169,954,891
b) Uncapitalized Contributions	-	16,457,000
c) Reserves and surplus	(3,697)	217,873,720
	<u>182</u>	<u>404,285,611</u>
2. LOAN FUNDS		
a) Secured loans	-	-
b) Unsecured loans	-	-
	<u>-</u>	<u>-</u>
3. DEFERRED TAX LIABILITY	-	-
	<u>-</u>	<u>-</u>
TOTAL	<u>182</u>	<u>404,285,609</u>
II. APPLICATION OF FUNDS		
1. FIXED ASSETS		
a) Gross Block	52	5,870,825
b) Less : Depreciation	(50)	(5,262,745)
c) Net Block	2	608,079
d) Capital Work-in-progress	-	-
	<u>2</u>	<u>608,079</u>
2. INVESTMENTS		
3. DEFERRED TAX ASSETS	1	14,090,756
4. CURRENT ASSETS, LOANS AND ADVANCES		
a) Inventories	-	-
b) Sundry Debtors	-	-
c) Cash and bank balances	5,488	645,419,794
d) Loans and advances	1,082	2,992,231
e) Prepaid Expenses	21	10,008,909
	<u>6,591</u>	<u>658,420,934</u>
Less : CURRENT LIABILITIES AND PROVISIONS		
a) Current liabilities	(6,412)	(250,630,333)
b) Provisions	-	(18,203,827)
	<u>(6,412)</u>	<u>(268,834,160)</u>
NET CURRENT ASSETS	<u>179</u>	<u>389,586,774</u>
TOTAL	<u>182</u>	<u>404,285,609</u>

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

GLENMARK PHARMACEUTICALS VENEZUELA, C.A.
PROFIT AND LOSS FOR THE YEAR ENDED
ORIGINAL CURRENCY: BOLIVARS

	31-03-19	31-03-18
INCOME		
Sales & Operating Income	-	-
Other income	-	21,540
	-	<u>21,540</u>
EXPENDITURE		
Cost of sales	-	-
Selling and operating expenses	3,686	108,471,056
Depreciation/Amortisation	-	1,473,109
Interest	11	-
Exchange Difference	-	-
	<u>3,697</u>	<u>109,944,165</u>
PROFIT BEFORE TAX	(3,697)	(109,922,625)
Provision for taxation		
- Current Year	-	-
- Earlier Years	0	-
- Deferred tax	-	(2,989,604)
NET PROFIT AFTER TAX	(3,697)	(106,933,021)
Balance Profit brought forward		
NET PROFIT AVAILABLE FOR APPROPRIATION	(3,697)	(106,933,021)
Interim Dividend paid on preference shares	-	-
Tax on dividend paid on preference shares	-	-
Interim Dividend on Equity Shares	-	-
Tax on interim dividend paid on equity shares	-	-
Transfer to Debenture Redemption Reserve	-	-
Transfer to General Reserve	-	-
Profit and loss accumulated (at the beginning)	-	324,806,740
BALANCE CARRIED TO BALANCE SHEET	(3,697)	217,873,720

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

GLENMARK PHARMACEUTICALS VENEZUELA, C.A.
CASH FLOW STATEMENT FOR THE YEAR ENDED
ORIGINAL CURRENCY: BOLIVARS

	As at 31-3-19	As at 31-3-18
A. Cash flow from operating activities:		
Net Profit before tax	(3,697)	(106,933,021)
Adjustments for:		
Depreciation	5	1,473,109
Provisions	-	(7,420,146)
Unrealised foreign exchange (gain) /loss	-	-
Employee stock option plan	-	-
Deferred Tax	-	(5,706,026)
Operating profit before working capital changes	(3,692)	(118,586,083)
Adjustments for changes in working capital :		
- (increase)/decrease in Sundry Debtors	-	8,580
- (increase)/decrease in Other Receivables	-	-
- (increase)/decrease in Inventories	-	-
- increase/(decrease) in Current Liabilities	285,281,926	(40,626,864)
- increase/(decrease) in Prepaid Expenses	(10,008,888)	38,251,004
- increase/(decrease) in Loan & Advances	(2,991,149)	10,940,264
Cash generated from operations	272,278,197	(110,013,100)
- Taxes (Paid) / Received (Net of Tax deducted at source)	-	-
Net cash from operating activities	272,278,197	(110,013,100)
B. Cash flow from Investing activities:		
Net cash used in Investing activities	-	-
C. Cash flow from financing activities:		
Cash and cash equivalents acquired on merger and others	-	755,432,894
Effect of change in exchange rate on cash and cash equivalents	(917,692,503)	-
Net cash used in financing activities	(917,692,503)	755,432,894
Net Increase/(Decrease) in Cash & Cash Equivalents	(645,414,306)	645,419,794
Cash and cash equivalents at the beginning of the year	645,419,794	-
Cash and cash equivalents at the end of the year	5,488	645,419,794

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

GLENMARK PHARMACEUTICALS VENEZUELA, C.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019

(Amounts expressed in Bolivars)

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

A) Line of Business.

Glenmark Pharmaceuticals Venezuela, C.A. (the "Company"), is a subsidiary of Glenmark Pharmaceuticals LTD the latter being the holding company.

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

B) 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.

- i) Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in conformity with the International Financial Reporting Standards (IFRS).

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) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Expenditure of revenue nature, incurred in setting up of new projects, is capitalized as an indirect cost towards construction of the fixed assets. Exchange differences relating to the acquisition of fixed assets are adjusted in the cost of the assets.

Depreciation is provided using the straight line method, pro-rata to the period of use of assets, based on the useful lives of fixed assets as estimated by management,

The company has estimated the useful life of its assets as follows:

Category	Estimated useful life (in years)
Computer equipment	3
Vehicles	3
Furniture and fixture	3

F) Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires

An outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent

Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow

Of resources. here there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote

G) Benefits to the employees

The company accrues the liability for labor indemnities of its personnel on basis of current labor law (LOTTT). Under certain conditions, said law establishes the payment of an additional indemnity for termination, therefore, the company records any such payments against the year's result. The company does not have any acquired obligation with its personnel for retirement benefits after termination of services, such as pension plans, health care programs or the like.

H) Income tax.

Income tax expense represents current estimated tax payable and deferred income tax. Current income tax is the expected tax payable calculated on taxable income of the year in conformity with that set forth in the income tax law. Deferred tax is originated by the temporal differences between taxable income and book income, which is estimated to be realized in a foreseeable future. These differences are represented mainly by certain provisions for expenses deductible when effectively paid, like social contributions and provisions as well as certain revenues taxables at the time of collection. Likewise, also recognized within deferred tax is the fiscal benefit from credit for new investments in fixed assets and allowed fiscal losses, for considering that realization of said benefits is assured beyond any reasonable doubt

I) Transactions and valuation of balances in foreign currency.

Foreign currency transactions during the year are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities are translated into bolivars at the exchange rates prevailing on the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the respective fixed assets.

J) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such

Indication exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the

Recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying

Amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the

Profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss

No longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

NOTE 3 AUTHORIZATION FOR ISSUING THE FINANCIAL STATEMENTS

The emission of these Financial Statements was authorized for Mr. Catalino Bocanegra, Controller, on May 13, 2019.

These notes are an integral part of the financial statements.
