

**SUN PHARMA DE MEXICO, S.A. DE C.V.
FINANCIAL STATEMENTS
2020 AND 2019
AND INDEPENDENT AUDITOR'S REPORTS**

To, The Shareholders of Sun Pharma de Mexico, S.A. de C.V.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sun Pharma de México, S.A. de C.V, which comprise the statement of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in stockholders' equity and cash flows corresponding to the years ended on those dates, as well as the explanatory notes to the financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial situation of Sun Pharma de México, S.A de C.V., as of December 31, 2020 and 2019, as well as its results, changes in stockholders' equity and cash flows corresponding to the years ended on those dates, in accordance with the Financial Reporting Standards applicable in Mexico (NIF).

Basis of opinion

We have conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent from the Company, in accordance with the Code of Professional Ethics of the Instituto Mexicano de Contadores Públicos, A.C., together with the ethical requirements that are applicable to our audits of the financial statements in Mexico, and we have complied with the other responsibilities of ethics in accordance with these requirements and with the Code of Professional Ethics We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Responsibilities of Management and those responsible of governance in relation to the Financial Statements

The Administration is responsible for the preparation and fair presentation of the financial statements, in accordance with the NIF's and the internal control that the Administration considered necessary to allow the preparation of financial statements free of material deviation due to fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Company's ability to continue as a going concern, revealing, where appropriate, issues related to the going concern and using the going concern accounting principle.

Those responsible of governance of the entity are responsible for supervising the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement where it exists. Deviations may be due to fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions that users make based on the financial statements.

As part of an audit in accordance with the ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the financial statements, due to fraud or error, design and apply audit procedures to respond to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally misstatements, or circumvention of internal control.
- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate based on the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and the corresponding information disclosed by the Management.
- We conclude on the appropriateness of the use, by the Management, of the going concern accounting principle and, with the audit evidence obtained, we conclude that there is no material deviation related to events or conditions that may generate significant doubts about the capacity of the Company to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to be a going concern.
- We assess as a whole, the presentation, structure and content of the financial statements, including the disclosed information, and whether the financial statements represent the underlying transactions and events in a way that achieves fair presentation.
- We communicate to those responsible of governance, among other matters, the scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identify during the course of the audit.

CPC MI Jorge Marcos Garcia Landa
Professional ID 363151
García Landa, Becerril & Asociados, S.C.

Mexico City, March 26, 2021

STAUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS OF SUN PHARMA DE MEXICO S.A. DE C.V.

In my capacity as Statutory Auditor, and in compliance with the provisions of Article 166 of the Mexican General Corporations Law and the by-laws of **Sun Pharma de Mexico S.A. de C.V.** (the Company), I am pleased to submit my Audit Report on the veracity, sufficiency and reasonability of the Financial Statements of the Company for the year ended December 31, 2020, presented to you by the Board of Directors of the Company.

I have attended the Shareholders' and the Board of Directors' meetings to which I was summoned, and I have obtained from the board of Directors and the Company's officers all the information on the Company's operations, documentation and records, that I considered necessary for examination. I conducted my audit in accordance with Auditing Standards generally accepted in Mexico.

In my opinion, the accounting and reporting policies and procedures observed by the Company in the preparation of the financial statements that are being presented to the shareholders are adequate and sufficient and were applied on a basis consistent with that of the previous year. Therefore, it is also my opinion that the financial statements referred to above give a True and Fair view in conformity with Mexican Financial Reporting Standards:

- i. in the case of Statements of Financial Position of the Company as of December 31, 2020;
- ii. in the case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date;
- iii. in the case of Statement of Cash Flow, of the cash flows of the Company for the year ended on that date; and
- iv. in the case of Statement of Changes in Stockholders' Equity, of the changes in stockholders' equity of the Company for the year ended on that date.

C.P.C. Jorge Daniel García Becerril
Statutory Auditor

Mexico City, March 26, 2021.

SUN PHARMA DE MEXICO, S.A. DE C.V.
Statement of Financial Position as of December 31, 2020 and 2019
(Amounts in Mexican Pesos)

		<u>2 0 2 0</u>	<u>2 0 1 9</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	\$ 46,696,442	\$ 151,118,263
Accounts Receivable:			
Debtors	5	137,868,721	71,655,823
Taxes to be recovered		11,977,064	12,575,708
Prepaid Expenses		<u>2,910,761</u>	<u>2,890,959</u>
Total Taxes to be recovered & Prepaid Expenses	6	14,887,825	15,466,667
Inventories	7	57,122,890	68,107,795
Other Current Assets		<u>179,906</u>	<u>179,906</u>
TOTAL CURRENT ASSETS		<u>256,755,784</u>	<u>306,528,454</u>
NON CURRENT ASSETS			
Property, Machinery and Equipments	8	20,375,292	23,104,450
Deferred Tax	9	5,812,813	5,576,381
TOTAL NON CURRENT ASSETS		<u>26,188,105</u>	<u>28,680,831</u>
Total Assets		<u>\$ 282,943,889</u>	<u>\$ 335,209,285</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable to Suppliers		4,529,506	4,811,587
Accounts Payable Related Parties	10	8,855,244	6,286,602
Provision for Expenses Payable		7,440,510	8,593,505
Total Accounts Payable		<u>20,825,260</u>	<u>19,691,694</u>
Taxes Payable		8,278,484	1,563,948
Other Accounts Payable		3,949,855	2,624,037
Total Other Accounts Payable	12	<u>12,228,339</u>	<u>4,187,985</u>
TOTAL CURRENT LIABILITIES		<u>33,053,599</u>	<u>23,879,679</u>
Total liabilities		<u>\$ 33,053,599</u>	<u>\$ 23,879,679</u>
STOCKHOLDERS' EQUITY			
Share Capital	13	\$ 1,010,360	\$ 1,010,360
Legal Reserve		202,072	202,072
Profit for the Year		78,830,377	46,518,880
Accumulated Profits		169,847,481	263,598,294
TOTAL STOCKHOLDERS' EQUITY		<u>\$ 249,890,290</u>	<u>\$ 311,329,606</u>
Total Liabilities and Share Capital		<u>\$ 282,943,889</u>	<u>\$ 335,209,285</u>

The twenty accompanying notes are an integral part of these financial statements

In terms of my/our report attached.

For and on behalf of the Board of Directors

C.P.C. Jorge Daniel García Becerril
Statutory Auditor

For and on behalf of
García Landa Becerril & Asociados S.C.

Lic. Fernando Salvador Ramos Suarez
President

Lic. Vipulkumar Jayantilal Timbadia
Director

C.P.C. Jorge Marcos García Landa
Independent Auditors

Mexico City, March 26, 2021

SUN PHARMA DE MEXICO, S.A. DE C.V.
Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Amounts in Mexican Pesos)

		2 0 2 0	2 0 1 9
Net Income	\$	335,689,851	\$ 301,848,283
Cost of Sales		98,827,899	94,089,008
Gross Profit		236,861,952	207,759,275
General Expenses:			
Operational Expenses		66,245,015	64,982,003
Selling Expenses		41,892,414	52,562,822
Administration Expenses		22,874,389	34,322,916
Depreciations		5,059,670	4,953,546
Total General Expenses		136,071,488	156,821,287
Operating Income		100,790,464	50,937,988
Net Financial Income	14	9,064,093	11,353,549
Other Non-Operating income and Expenses, Net	15	621,172	2,834,402
Income Before Tax		110,475,729	65,125,939
Income Tax	17	31,881,784	24,036,465
Deferred Tax		(236,432)	(5,429,406)
NET INCOME FOR THE YEAR		\$ 78,830,377	\$ 46,518,880

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Lic. Vipulkumar Jayantilal Timbadia
Director

Mexico City, March 26, 2021

SUN PHARMA DE MEXICO, S.A. DE C.V.
Statement of Changes in Stockholders' Equity
For the years ended December 31, 2020 and 2019
(Amounts in Mexican Pesos)

Movements	Share Capital	Unsubscribed Share Capital	Legal Reserve	Results for the year	Accumulated Results	Total
Balances as of December 31, 2018	\$ 1,010,360	\$ 0	\$ 202,072	\$ 73,778,272	\$ 189,820,022	\$ 264,810,726
Profit for the year 2018				(73,778,272)	73,778,272	
Profit for the year 2019				46,518,880		46,518,880
Balances as of December 31, 2019	1,010,360	0	202,072	46,518,880	263,598,294	311,329,606
Profit for the year 2019				(46,518,880)	46,518,880	
Dividend Paid				(140,269,693)	(140,269,693)	
Profit for the year 2020				78,830,377		78,830,377
Balances as of December 31, 2020	\$ 1,010,360	\$ 0	\$ 202,072	\$ 78,830,377	\$ 169,847,481	\$ 249,890,290

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In terms of my/our report attached.

For and on behalf of the Board of Directors

C.P.C. Jorge Daniel García Becerril
Statutory Auditor

Lic. Fernando Salvador Ramos Suarez
President

Lic. Vipulkumar Jayantilal Timbadia
Director

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García Landa Becerril & Asociados S.C.

C.P.C. Jorge Marcos García Landa
Independent Auditors

Mexico City, March 26, 2021

SUN PHARMA DE MEXICO, S.A. DE C.V.
Statement of Cash flows for the years ended december 31, 2020 and 2019
(Amounts in Mexican Pesos)

	2 0 2 0	2 0 1 9
OPERATING ACTIVITIES:		
Income Before Tax	\$ 110,475,729	\$ 65,125,939
Items related to Investment Activities	(2,496,993)	(5,160,057)
Depreciation and Amortization of the Assets	5,059,670	4,953,546
Provisions for Doubtful Debts	966,370	2,147,662
Profit from Sales of Fixed Assets	(167,761)	(2,025,402)
Interest Income	(8,355,272)	(10,235,863)
Total	107,978,736	59,965,882
Decrease / (Increase) in Accounts Receivable	(67,179,268)	1,126,563
Decrease / (Increase) in Short Term Advances	578,840	576,959
Decrease / (Increase) in Other Assets		21,000
Decrease / (Increase) in Inventories	10,984,905	8,337,220
Increase / (Decrease) in Suppliers	1,133,568	8,160,884
Increase / (Decrease) in Other Liability	8,040,360	882,548
Cash generated from Operations	61,537,141	79,071,056
Income Tax Paid	(31,881,784)	(24,036,465)
Net Cash flow from Operating Activities	29,655,357	55,034,591
INVESTMENT ACTIVITIES:		
Purchase of Fixed Assts	(2,483,159)	(7,016,210)
Proceed from Sales of Fixed Assets	320,407	2,042,492
Interest Income	8,355,272	10,235,863
Cash Flow from Investing Activities	6,192,520	5,262,145
Surplus Cash to apply in Financing Activities	35,847,877	60,296,736
FINANCING ACTIVITIES		
Dividend Paid	(140,269,698)	0
Net Cash Flow from Financing Activities	(140,269,698)	0
Net (Decrease) or Increase In Cash and Cash Equivalents	(104,421,821)	60,296,736
Cash and Cash Equivalents at Beginning of the Year	151,118,263	90,821,527
Cash and Equivalents at End of the Year	\$ 46,696,442	\$ 151,118,263

The twenty accompanying notes are an integral part of these financial statements

In terms of my/our report attached.

For and on behalf of the Board of Directors

C.P.C. Jorge Daniel García Becerril
Statutory Auditor

Lic. Fernando Salvador Ramos Suarez
President

For and on behalf of
Garcia Landa Becerril & Asociados S.C.

Lic. Vipulkumar Jayantilal Timbadia
Director

Mexico City, March 26, 2021

SUN PHARMA DE MEXICO, S.A. DE C.V.

Notes to the financial statements

December 31, 2020

(With comparative figures for 2019)

(Mexican pesos, except wherever indicated expressly)

1) Activity of the Company.

Sun Pharma de México, S.A. de C.V. (the "Company") is a Company incorporated under Mexican Law, the main objective of the Company is all kinds of activities related to the pharmaceutical industry, such as commercialization, purchases, sales, export, import, representation, marketing and distribution of pharmaceutical products.

2) Basis of Presentation.

a) Declaration of compliance.

The accompanying financial statements have been prepared in accordance with the Mexican Financial Reporting Standards (NIF's), issued by the Mexican Council for Financial Reporting Standards (CINIF).

Presentation of the comprehensive income statement.

Starting in 2013, adopting the changes in NIF B-3 "Statement of comprehensive income", the company presents its costs and ordinary expenses based on its function, which allows knowing its gross profit margin. Additionally, the operating income item is presented, which is the result of reducing the cost of sales and expenses to net sales, considering that this item contributes to a better understanding of the economic and financial performance of the Company.

Likewise, the item of other income (expenses) is included because it is considered convenient to present in the amounts of activities which are not related to the operation of the company.

3) Summary of the main Accounting Policies.

The accounting policies shown below have been uniformly applied in the preparation of the financial statements presented in accordance with the Mexican Financial Reporting Standards (NIF'S) and have been consistently applied by the Company, except as indicated expressly.

a) Recognition of the effects of inflation.

The accompanying financial statements were prepared in accordance with NIF'S, as the Company operates in a non - inflationary environment, as inflation accumulated in the previous 3 financial years does not exceed 26%, do not include the recognition of effects of inflation on financial information, therefore, as of January 1, 2008, entities have the obligation to suspend the recognition of the effects of inflation on financial information. Therefore, the figures of the accompanying financial statements as of December 31, 2020 and 2019, are expressed in historical Mexican pesos.

b) Cash and Cash Equivalents.

Cash and cash equivalents include deposits in bank accounts, foreign currencies and others similar of immediate realization. At the date of the financial statements, the interest earned and the profit or loss in valuation are included in the results of the year, as part of the comprehensive financing result.

c) Accounts Receivable.

Account receivable are presented at their realizable value, net of the allowance for doubtful debts, or provisions for doubtful debts.

d) Inventories and Cost of Sales.

Cost of sale represents the replacement cost of inventories at the time of sale, inventories are valued using the first-in and first-out method.

e) Advance Payments.

They mainly include advances for the purchase of services that are received after the date of the statement of financial position and during the normal course of operations, and are presented in the short or long term according to the classification of the destination item.

f) Property, Machinery and Equipment.

The Property, Machinery and Equipment are recorded at acquisition cost.

Depreciation is calculated based on the remaining useful life of the assets, and its application to results is carried out using the straight-line method, using the maximum rates authorized by the Income Tax law according to the following percentages for 2020 and 2019:

Buildings	5%
Machinery and equipment	10%
Office Furniture and Equipment	10%
Transportation Equipment	25%
Computer equipment	30%
Electrical installation	10%

Improvements to the leased property are charged to income in the period in which this occurs.

g) Provisions.

The liabilities borne by the company and liability provisions recognized in the balance sheet represent present obligations in which the outflow of economic resources is probable to settle the obligation. These provisions have been recorded in the accounting, under the best reasonable estimate made by management to settle the present obligation; however, actual results could differ from recognized provisions.

h) Taxes on Income.

Deferred income taxes, as stated in NIF D-4 "Income taxes" must be recognized according to the assets and liabilities method, which compares their accounting and tax values. Deferred income taxes (assets and liabilities) must be recognized for future tax consequences attributable to temporary differences between the values reflected in the financial statements of existing assets and liabilities and their relative tax bases, and in the case of taxes on the profit, for tax losses to be amortized and other tax credits to be recovered. Deferred income tax assets and liabilities must be calculated using the rates established in the corresponding law, which will be applied to taxable income in the years in which it is estimated that the temporary differences will be reversed. The effect of changes in tax rates on deferred income taxes is recognized in the results of the period in which such changes are approved.

As of December 31, 2020 and 2019, the company recognizes the guidelines established in NIF D-4.

i) Revenue Recognition.

Sales revenue is recognized when the risks and benefits of the products are transferred to the customers who purchase them, which generally occurs when they are delivered to the customer and the customer assumes responsibility for them. Net sales are net of discounts and returns.

j) Comprehensive Financing Results.

Comprehensive financing result includes interest, exchange rate differences, deducted from capitalized amounts.

k) Transactions in Foreign Currency.

Transactions in foreign currency are recorded at the exchange rate on the date they are carried out. These assets and liabilities receivable and payable in foreign currency are valued in national currency at the exchange rate in effect on the date of the financial statements. The exchange difference resulting between the transaction date and the payment date, or the balance sheet date, is applied to the results of the year and is presented in the comprehensive financing result.

4) **Cash and Cash Equivalents.**

	2020	2019
Cash on Hand	\$ 16,000	\$ 16,000
Bank Balance in local currency	46,393,117	293,105
Bank Balance in Foreign Currency	226,494	22,634
Investments Account	60,831	150,786,524
Total	\$ 46,696,442	\$ 151,118,263

5) **Accounts Receivable.**

	2020	2019
Debtors Considered Good	\$ 137,868,721	\$ 71,655,823
Debtors Considered Doubtful	19,105,288	18,138,918
	156,974,009	89,794,741
Provision for Doubtful Debtors	(19,105,288)	(18,138,918)
Total	\$ 137,868,721	\$ 71,655,823

6) **Taxes to be recovered and Prepaid Expenses.**

The balance of contributions to be recovered shown in the financial statements is made up of:

	2020	2019
VAT in favor	\$ 11,977,064	\$ 10,891,449
Income Tax in favor	0	1,684,259
Taxes to be recovered	\$ 11,977,064	\$ 12,575,708

Prepaid Insurance Expenses	\$	2,495,953	\$	2,592,570
Prepaid other expenses		414,808		298,389
	\$	<u>2,910,761</u>	\$	<u>2,890,959</u>
Total	\$	14,887,825	\$	15,466,667

7) **Inventories.**

Inventories as of December 31 are integrated as shown below:

		2020		2019
Raw material	\$	17,756,883	\$	15,911,934
In process		1,421,902		146,134
finished Goods		37,285,000		49,060,899
Goods in transit		659,105		2,988,828
Total	\$	57,122,890	\$	68,107,795

8) **Property, Machinery and Equipment.**

The property, machinery and equipment item as of December 31 are integrated as shown below:

Concept		2020		2019
Land	\$	5,245,942	\$	5,245,942
Building		5,296,665		5,296,665
Machinery and equipment		38,668,569		37,951,328
Transportation Equipment		19,633,864		18,773,500
Furniture and office equipment		3,667,171		3,667,171
Data Processing equipment		1,232,790		1,206,247
Electricals Fittings		117,641		117,641
Total Fixed Assets	\$	73,862,642	\$	72,258,494
Accumulated depreciation	\$	53,487,350	\$	49,154,044
Net Fixed Assets	\$	20,375,292	\$	23,104,450

9) **Deferred Tax.**

The deferred income tax was calculated in accordance with the new tax provisions. Consequently, the deferred tax as of December 31, 2020 is calculated at the promulgated rate that is expected to apply on the reversal date of the temporary differences.

The following is the effect of the temporary differences that give rise to a deferred asset for income tax as of December 31:

Temporary Items:

		2020
Provision of liabilities, Non-Fiscal 2020	\$	4,757,182
Provision for liabilities 2019, deductible		(7,821,085)
Prepaid expenses 2020		2,705,370
Prepaid Expenses 2019		(3,176,864)
Provision of accounts receivable		44,676

Inventory provisions - cost of sales		4,278,830
Deferred income tax, net	\$	788,109
Tax rate		30 %
Deferred income tax	\$	236,432
Deferred tax registered till 2019		5,576,381
Deferred tax registered till 2020	\$	5,812,813

10) Related Parties.

As of December 31, the debts with Related Parties are:

	2020		2019	
<u>Accounts Payables</u>				
Sun Pharmaceutical Industries Ltd.	\$	8,855,244	\$	6,286,602
Total	\$	8,855,244	\$	6,286,602

Transactions between related parties during the year were in respect of:

	2020		2019	
Inventory Purchases / Expenses:				
Sun Pharmaceutical Industries Ltd.	\$	75,065,286	\$	85,869,486
Administration Services:				
Endesk Servicios, S.A. de C.V.	\$	74,097,497	\$	74,711,612

For these operations, a transfer price study was carried out to verify that the costs granted between related parties are within the market price.

11) Position in Foreign Currency.

	December 2020		December 2019	
	USA Dollars	Pesos	USA Dollars	Pesos
Asset:				
Banks	\$ 11,361	\$ 226,494	\$ 1,199	\$ 22,634
Liabilities:				
Suppliers	\$ 574,733	\$ 11,457,419	\$ 342,842	\$ 6,470,355
Liability position	\$ 563,372	\$ 11,230,925	\$ 341,643	\$ 6,447,721

12) Provisions for Taxes Payable and Other Accounts Payable.

The balances for provisions and other accounts payable as of December 31 are shown below:

	2020	2019
Taxes Payable:		
Withholding Income Tax	\$ 529,104	\$ 32,333
Monthly Income Tax Provision	2,453,689	1,531,615
Annual Income Tax	5,295,691	0
	\$ 8,278,484	\$ 1,563,948
Other Accounts Payable:		
Various Creditors	\$ 3,455,179	\$ 2,171,941
Other Provisions	494,676	452,096
	\$ 3,949,855	\$ 2,624,037
Total	\$ 12,228,339	\$ 4,187,985

13) Share Capital.

The share capital is integrated as follows for the years 2020 and 2019:

Capital	Amount
Fixed:	
Sun Pharmaceutical Industries Ltd. formed with 750 shares subscribed and paid-up of nominal value of \$ 1,010.36 each.	\$ 757,770
Indi Pharma, S.A.P.I. de C.V., formed by 250 subscribed and paid-up of nominal value of \$ 1,010.36 each.	\$ 252,590
Total	\$ 1,010,360

14) Comprehensive financial Income.

The Financial income are integrated as follows:

	2020	2019
Interest Earned	\$ 8,355,272	\$ 10,235,863
Exchange Rate Loss for the year	(1,413,299)	(1,081)
Exchange Rate Gain for the year	2,122,120	1,118,767
Total	\$ 9,064,093	\$ 11,353,549

15) Other non-operating Income and Expenses.

The other non-operating income and expenses are included as follows:

	2020	2019
(Loss) from the sale of fixed assets	\$ (60,997)	\$ 0
Profit from the sale of fixed assets	228,760	2,025,402
Insurance Claims	377,372	674,834
Other Income	76,037	134,166
Total	\$ 621,172	\$ 2,834,402

16) Fiscal Taxes on Dividends.

Dividends paid will be free of income tax if they come from the net tax profit account (CUFIN). Dividends that exceed said CUFIN will cause the tax equivalent to the rate of 42.86%, from the year 2013 onwards, the tax caused will be determined and withheld by the company as the dividends are paid and may be credited against the income tax for the year or that of the immediate next two years.

In addition to the previous tax, when the payment of dividends is made to residents abroad and to individuals residing in Mexico, decreeing profits, generated with effect from January 1, 2014, the additional tax will be determined by applying the 10% rate directly on the dividend paid. The tax must be withheld by the company that carries out the payment of the dividend and has the character of "final payment".

In the event of a capital reduction, the procedures established by the income tax law provide that any surplus of stockholders' equity over the balances of the contributed capital accounts be given the same treatment as that applicable to dividends.

In this year 2020, dividends for a total of \$ 140,269,698 (previous year 2019 \$0) were decreed and paid to shareholders, these dividends come from the net tax profit account (CUFIN), and are exempt from income tax. Additionally, 10% of Income tax of \$ 10,520,227 (previous year 2019 \$0) was withheld by the Company towards the payment of dividends to the foreign shareholder and was paid to the authorities. This decree was established in the minutes of the ordinary general shareholders' meeting held on September 3, 2020.

17) Taxes on Income.

The Company is subject to the income tax. The income tax calculated and considering certain effects of inflation as taxable or deductible, such as the depreciation calculated on values in constant pesos, the effect of inflation on certain liabilities and monetary assets is accumulated or deducted through the annual adjustment for inflation.

The income tax rate applicable to the Company for the years 2020 and 2019 is 30%.

18) New Accounting Pronouncements from 2020.

The CINIF Issuing Council approved some improvements to the Financial Reporting Standards until fiscal year 2020, in order to establish a more appropriate regulatory approach. In addition to improving certain aspects of the NIF's, the changes eliminate some differences with the International Financial Reporting Standards, to make them compact. The application of these improvements to the NIF's will not have a significant effect on the Company's financial statements.

The modifications to NIF C-2 "Investment in financial instruments" are tested, in which they include categories for negotiable capital financial instruments and their valuation. This is the case with NIF C-9 "Financial instruments" in terms of the categories of financial instruments. It enters into vigor as of January 1, 2021 and its early application is allowed for the year 2020.

As a result of the corrections to NIF C-2 "Investment in financial instruments", NIF C-19 "Financial instruments payable" and NIF C-20 "Financial instruments principal and interest receivable" are modified, in which indicates a list of items that are part of transaction costs, such as interest, fees, and other prepaid items. These concepts are not transaction costs and must be removed from the corresponding list. It enters into vigor as of January 1, 2021 and its early application is allowed for the year 2020.

Disclosures on lease recognition extensions, on investment properties, for sale with lease on the way back and variable lease payments, are approved in NIF D-5 "Lease".

It is mentioned that the expense related to short-term and low-value leases, the right-of-use asset is not recognized. It is established that an asset by right of use does not meet the definition of property, as established by NIF C-17, therefore the disclosure established in paragraph 61.5 of NIF D-5 must be eliminated.

It also establishes that if the transfer of an asset by the seller-lessee satisfies the requirements of NIF D-1, Income from contracts with customers, to be recognized as a partial sale of the asset, the seller-lessee must derecognize the asset. transferred and recognize the right-of-use asset arising from the return lease in the proportion of the previous carrying amount of the asset that corresponds to the rights of use retained by the seller-lessee; however, NIF D-5 does not prescribe a method to determine said proportion.

19) Contingencies.

According to current legislation, the Authorities have the power to review Income Tax returns up to five fiscal years prior to the last Income Tax return filed.

In accordance with the Income Tax Law, companies that carry out operations with related parties are subject to limitations and tax obligations, regarding the determination of the agreed prices, since these must be comparable to those that would be used with or between independent parties in comparable operations. In the event that the tax authorities reviews the prices and rejects the determined amounts, they could demand, in addition to the collection of the corresponding tax and accessories (updates and surcharges), fines on the omitted contributions, which could be up to 100% on the updated amount of contributions.

20) Issuance of financial Statements.

These financial statements have been approved by the Company's Board of Directors on March 26, 2021.