

**Taro International Ltd.**

**Financial Statements as of March 31, 2024**

Taro International Ltd.

Financial Statements as of March 31, 2024

For Income Tax Purposes

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Report of the Independent Auditor to the Shareholders of Taro International Ltd.

We have audited the attached Balance Sheets of Taro International Ltd. (the "Company") as of March 31, 2024 and 2023 and the Profit and Loss Statements and changes in equity for each of the years ended on those dates. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set in the Auditor's Regulations (Auditor's Mode of Performance), 1973. According to these standards, we are required to plan and perform the audit in order to obtain a reasonable degree of assurance that the financial statements do not contain a material misrepresentation. An audit includes a sample examination of evidence supporting the amounts and information in the financial statements. An audit also includes an examination of the accounting principles applied and the significant estimates made by the Company's Board of Directors and management as well as an assessment of the adequacy of the presentation in the financial statements as a whole. We believe that our audit provides a reasonable basis for our opinion.

Statements of Cash Flows have not been included in these financial statements.

As stated in Note 1C, in the Company's financial statements, an intangible asset received from the parent company - Taro Pharmaceutical Industries Ltd. was recognized, according to its historical cost and not at fair value as required in accordance with the Israeli GAAP. It should be noted that the recognition has no effect on the Company's tax expenses.

In our opinion, except for the exclusion of the aforementioned information and the recognition of an intangible asset not at fair value, the financial statements referred to above adequately reflect, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, the results of its operations and changes in its equity for each of the years ended on those dates, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

As explained in Note 2A, the above financial statements are presented in USD.

Tel Aviv

Ziv Haft  
Certified Public Accountants

Balance Sheets

	<u>Note</u>	<b>As of March 31</b>	
		<b>2024</b>	<b>2023</b>
		<b>US Dollar</b>	
<u>Current Assets</u>			
Cash		88,977	6,377
Deposits		8,500,000	17,480,000
Customers, net		4,522,374	5,251,551
Other receivables and debit balances	3	2,748,969	477,777
Affiliated companies	4	10,518,002	4,595,318
Inventory		8,295,333	7,366,543
		34,673,655	35,177,566
<u>Other Assets, Net</u>		3,311,000	3,386,502
		37,984,654	38,564,068
<u>Current Liabilities</u>			
Liabilities to suppliers and service providers		1,753,117	2,215,098
Creditors and credit balances	5	2,360,903	2,973,792
		4,114,020	5,188,890
<u>Equity</u>			
Share capital	6	414	414
Premium on shares		5,215,180	5,215,180
Retained earnings		28,655,040	28,159,584
		33,870,634	33,375,178
		37,984,654	38,564,068

July 18, 2024

Date of approval of the financial  
statements

CFO  
Shlomi Mor

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

Profit and loss statements

	<u>Note</u>	<u>For the Year Ended March 31</u>	
		<u>2024</u>	<u>2023</u>
		<u>US Dollar</u>	
Sales and sales commissions	7A	20,839,400	28,821,078
Cost of sales	7B	<u>18,078,620</u>	<u>17,733,572</u>
Gross profit		2,760,780	11,087,506
Sales, administrative and general expenses	7C	<u>3,199,246</u>	<u>3,365,807</u>
Operating profit (loss)		(438,466)	7,721,699
Financing expenses (income), net		<u>(1,230,130)</u>	<u>3,096,630</u>
Profit after financing income		791,664	4,625,069
Other income, net	7D	<u>16,223</u>	<u>15,696</u>
Profit before income taxes		807,887	4,640,765
Income taxes	8	<u>312,431</u>	<u>1,990,668</u>
Net profit		<u><u>495,456</u></u>	<u><u>2,650,097</u></u>

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

Statements of Changes in Equity

	<b>Capital Share Capital</b>	<b>Premium on shares</b>	<b>Balance Profit</b>	<b>Total</b>
	US Dollar			
<u>Balance as of March 31, 2022</u>	414	5,215,180	25,509,487	30,725,081
Net profit	-	-	2,650,097	2,650,097
<u>Balance as of March 31, 2023</u>	<u>414</u>	<u>5,215,180</u>	<u>28,159,584</u>	<u>33,375,178</u>
Net profit	-	-	495,456	495,456
<u>Balance as of March 31, 2024</u>	<u>414</u>	<u>5,215,180</u>	<u>28,655,040</u>	<u>33,870,634</u>

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

Notes to the Financial Statements

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Note 1: - General

A. Description of the Company

The Company began its business activities in 1992 and is engaged in pharmaceutical products trade.

B. Definitions

In these Financial Statements -

The Company - Taro International Ltd.

The Parent Company - Taro Pharmaceutical Industries Ltd.

Group Companies - Companies held by the Parent Company.

Related Parties - As defined in Public Statement 29 of the Institute of Certified Public Accountants in Israel.

F. As part of the tax decision in the agreement, which resulted from the tax assessment agreement for the years 2010-2014 signed between the Haifa Assessor and the Parent Company on March 12, 2018, it was determined that from the beginning of the 2017 tax year, the intellectual property assets transferred from Taro North America (TNA) to Israel will be considered as retroactively held by the Parent Company, when it was agreed that several assets would be transferred to the Company. In the absence of an explicit provision in the tax decision to carry out an appraisal of the assets transferred, the assets were transferred at the equity value in the TNA books, while they may have had another value which should have been reflected in the Company's Financial Statements under the Accounting Principles. It should be noted that the recognition has no effect on the Company's tax expenses.

Note 2: - Significant Accounting Policies

The main accounting policies, which were implemented in the preparation of the financial statements, are as follows:

A. The Reporting Basis of the Financial Statements

1. General

Until December 31, 2003, the Company has prepared its financial statements based on the historical cost convention, adjusted for changes in the general purchasing power of the Israeli currency as measured by changes in the exchange rate of the USD in relation to the NIS.

In accordance with Accounting Standard 12, regarding termination of adjustment of financial statements (hereinafter - Standard 12) and Accounting Standard 13 regarding the effect of changes in foreign exchange rates (hereinafter - Standard 13), adjustment of the financial statements to inflation (in accordance with changes in the exchange rate of the US dollar) was discontinued as of January 1, 2004. The adjusted amounts included in the Balance Sheet as of December 31, 2003 (the transition date) served as a starting point for the financial reporting in USD as of January 1, 2004.

Note 2: - Significant Accounting Policies (continued)

2. Financial statements in USD

Non-USD amounts have been translated as follows:

Monetary items - according to the exchange rate as of the balance sheet date.

Non-monetary items - according to the historical exchange rate at the time of the transaction.

Income and expenses - according to the exchange rates on the dates of the related transactions, not including items stemming from non-monetary items (mainly depreciation), which were translated according to the exchange rate relating to the non-monetary item.

Differences resulting from such translation were included in the net financing item.

B. Provision for Doubtful Debts

Provision for doubtful debts is calculated specifically in respect of identified debts whose collection, in the opinion of the Company's management, is questionable.

C. Inventory

Inventory of products is estimated by cost or market value, as the lowest of them, based on a specific association.

Inventory is presented net of a provision for impairment of slow-moving and dead inventory, as assessed by management.

D. Other Assets

Other property includes franchises for distribution and is amortized over the duration of the contractual right.

E. Revenue Recognition

The Company recognizes its revenue from the sale of its products to external customers upon delivery to the customer according to the terms of delivery with the customer. The Company presents sales net of discounts to the HMOs. The basis for calculating discounts is the difference between the "full" price (according to a supervised price list) and the price list of each HMO. In addition, the Company deducts from the total sales the expected returns from those sales. Fees from the Parent Company are charged as they arise.

F. Use of Estimates

Preparation and of the financial statements and their presentation in accordance with generally accepted accounting principles requires management to use estimates and assumptions that affect the data presented in the financial statements and their accompanying notes. Due to the nature of estimates and assumptions, the actual results may differ therefrom.



Notes to the Financial Statements

Note 2: - Significant Accounting Policies (continued)

G. Exchange Rates

The following are data regarding USD exchange rates:

<u>As of</u>	<u>Representative exchange rate of the USD NIS</u>
March 31, 2024	3.681
March 31, 2023	3.615
March 31, 2022	3.176
<u>Rate of change in the year ended</u>	<u>%</u>
March 31, 2024	1.83
March 31, 2023	13.82

Note 3: -Accounts Receivable and Debit Balances

	<u>March 31</u>	
	<u>2024</u>	<u>2023</u>
	<u>US Dollar</u>	
Institutions	937,428	-
Advance payments to suppliers	414,084	175,890
Prepaid expenses	169,363	169,363
Other	1,228,094	132,524
	<u>2,748,969</u>	<u>477,777</u>

Note 4: - Affiliated Companies

The current account balance is linked to the USD exchange rate

Note 5: - Accounts Payable and Credit Balances

	<u>March 31</u>	
	<u>2024</u>	<u>2023</u>
	<u>US Dollar</u>	
Expenses payable for inventory	1,798,341	2,223,244
Institutions	-	444,890
Provision for discounts	231,177	174,931
Provision for returns	152,789	130,727
Accrual expenses payable	101,025	-
Other	77,571	-
	<u>2,360,903</u>	<u>2,973,792</u>

Notes to the Financial Statements

Note 6: - Share Capital

	<b>March 31, 2024*</b>	
	<b>Registered</b>	<b>Issued</b>
	<b>Number of shares</b>	
Common stock of NIS 1 PV each	20,000	1,002

\* As of March 31, 2022, the balances are the same.

Note 7: - Additional Details to the Sections of the Profit and Loss Statements

	<b>For the Year Ended March 31</b>	
	<b>2024</b>	<b>2023</b>
	<b>US Dollar</b>	
<b>A. <u>Sales and Sales Commissions</u></b>		
Sales in Israel	18,832,142	21,400,193
Overseas Sales (1)	2,007,259	7,420,885
	20,839,402	28,821,078

(1) The Company sold to Affiliated Companies products in the amount of \$1,967,784 and \$7,420,885 in the years ended March 31, 2024, and 2023, respectively.

	<b>For the Year Ended March 31</b>	
	<b>2024</b>	<b>2023</b>
	<b>US Dollar</b>	
<b>B. <u>Cost of Sales</u></b>		
Purchase of products and changes in inventory of GDP (2)	15,263,039	15,909,501
Royalties expenses	876,150	353,308
Amortization	332,818	278,619
Participation in the expenses of the Parent Company	461,676	463,774
Other	1,154,937	728,370
	18,078,620	17,733,572

(2) The Company acquired from Affiliated Companies products in the amount of \$2,151,883 and \$1,173,581 in the years ended March 31, 2024 and 2023, respectively. Transactions with Related Parties are made under market conditions.

Notes to the Financial Statements

Note 7: - Additional Details to the Sections of the Profit and Loss Statements (continued)

		<b>For the Year Ended March 31</b>	
		<b>2024</b>	<b>2023</b>
		<b>US Dollar</b>	
<b>C.</b>	<u>Sales, Administrative and General Expenses</u>		
	The Company's participation in the expenses of the Parent Company	2,121,392	2,672,772
	Legal expenses	380,375	152,300
	Registration and renewal of preparations	84,888	49,246
	Miscellaneous	<u>612,591</u>	<u>491,489</u>
		<u><u>3,199,246</u></u>	<u><u>3,365,807</u></u>
		<b>For the Year Ended March 31</b>	
		<b>2024</b>	<b>2023</b>
		<b>US Dollar</b>	
<b>D.</b>	<u>Other income, net</u>		
	Revenue from royalties (3)	<u>16,223</u>	<u>15,696</u>
		<u><u>16,223</u></u>	<u><u>15,696</u></u>

(3) The Company received royalties of \$16,223 and \$15,696 from Affiliated Companies in the years ended March 31, 2024 and 2023, respectively. Transactions with Related Parties are made under market conditions.

Note 8: - Taxes on Income

**A. Tax Laws that Apply to the Company**

Since 2003, the Company has been preparing the tax reconciliation statement in accordance with the rules regarding the bookkeeping of foreign invested companies and of certain partnerships and the determination of their taxable income, 1986. Under these rules, results for tax purposes are measured on a reported basis in USD.

The corporate tax rate as of 2018 is 23%.

The Company's capital gains are taxable at the ordinary corporate tax rate in the tax year.

**B. Tax Assessments**

As of the date of signing the financial statements, the Company has final tax assessments up to and including 2017.

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