

Taro International Ltd.

Financial Statements as of March 31, 2025

Taro International Ltd.
Financial Statements as of March 31, 2025
For Income Tax Purposes

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For Income Tax Purposes

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, 2025 and 2024 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, 2025 and 2024, 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, Israel
May 15, 2025

Ziv Haft
Certified Public Accountants

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Taro International Ltd.
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Balance Sheets

		As of March 31	
		2025	2024
		US Dollar	
	Note		
<u>Current Assets</u>			
Cash		8,198,551	88,977
Deposits		9,000,000	8,500,000
Customers, net		5,133,995	4,522,374
Other receivables and debit balances	3	997,947	2,748,969
Affiliated companies	4	7,231,683	10,518,002
Inventory		6,142,605	8,295,333
		<u>36,704,781</u>	<u>34,673,655</u>
<u>Other Assets, Net</u>			
		<u>3,052,433</u>	<u>3,311,000</u>
		<u>39,757,214</u>	<u>37,984,654</u>
<u>Current Liabilities</u>			
Liabilities to suppliers and service providers		1,116,428	1,753,117
Creditors and credit balances	5	2,686,047	2,360,903
		<u>3,802,475</u>	<u>4,114,020</u>
<u>Equity</u>			
Share capital	6	414	414
Premium on shares		5,215,180	5,215,180
Retained earnings		30,739,145	28,655,040
		<u>35,954,739</u>	<u>33,870,634</u>
		<u>39,757,214</u>	<u>37,984,654</u>

May 15, 2025
Date of approval of the financial
statements

CFO
Shlomi Mor

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

Taro International Ltd.
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Profit and loss statements

	Note	For the Year Ended March 31	
		2025	2024
		US Dollar	
Sales and sales commissions	7A	25,514,034	20,839,400
Cost of sales	7B	18,757,466	18,078,620
Gross profit		6,756,568	2,760,780
Sales, administrative and general expenses	7C	3,615,617	3,199,246
Operating profit (loss)		3,140,951	(438,466)
Financing expenses (income), net		340,991	(1,230,130)
Profit after financing income		2,799,960	791,664
Other income, net	7D	10,676	16,223
Profit before income taxes		2,810,636	807,887
Income taxes	8	726,531	312,431
Net profit		2,084,105	495,456

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

Taro International Ltd.
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Statements of Changes in Equity

	Capital Share Capital	Premium on shares	Balance Profit	Total
	US Dollar			
<u>Balance as of March 31, 2023</u>	414	5,215,180	28,159,584	33,375,178
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>
Net profit	-	-	2,084,105	2,084,105
<u>Balance as of March 31, 2025</u>	<u>414</u>	<u>5,215,180</u>	<u>30,739,145</u>	<u>35,954,739</u>

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

Notes to the Financial Statements

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.

- C. 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.

Notes to the Financial Statements

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, 2025	3.718
March 31, 2024	3.681
March 31, 2023	3.615
<u>Rate of change in the year ended</u>	<u>%</u>
March 31, 2025	1
March 31, 2024	1.83

Note 3: Accounts Receivable and Debit Balances

	<u>March 31</u>	
	<u>2025</u>	<u>2024</u>
	<u>US Dollar</u>	
Institutions	784,216	937,428
Advance payments to suppliers	199,412	414,084
Prepaid expenses	363	169,363
Other	13,956	1,228,094
	<u>997,947</u>	<u>2,748,969</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>2025</u>	<u>2024</u>
	<u>US Dollar</u>	
Expenses payable for inventory	1,976,499	1,798,341
Institutions	269,314	-
Provision for discounts	173,588	231,177
Provision for returns	137,462	152,789
Accrual expenses payable	129,071	101,025
Other	113	77,571
	<u>2,686,047</u>	<u>2,360,903</u>

Notes to the Financial Statements

Note 6: Share Capital

	March 31, 2025*	
	Registered	Issued
	Number of shares	And Paid-up
Common stock of NIS 1 PV each	<u>20,000</u>	<u>1,002</u>

* As of March 31, 2024, the balances are the same.

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

	For the Year Ended March 31	
	2025	2024
	US Dollar	
A. <u>Sales and Sales Commissions</u>		
Sales in Israel	20,188,035	18,832,142
Overseas Sales (1)	<u>5,325,999</u>	<u>2,007,259</u>
	<u>25,514,034</u>	<u>20,839,402</u>

(1) The Company sold to Affiliated Companies products in the amount of \$5,282,607 and \$1,967,784 in the years ended March 31, 2025, and 2024, respectively.

	For the Year Ended March 31	
	2025	2024
	US Dollar	
B. <u>Cost of Sales</u>		
Purchase of products and changes in inventory of GDP (2)	16,089,563	15,263,039
Royalties expenses	584,113	876,150
Amortization	349,021	322,818
Participation in the expenses of the Parent Company	548,837	461,676
Other	<u>1,185,932</u>	<u>1,154,937</u>
	<u>18,757,466</u>	<u>18,078,620</u>

(2) The Company acquired from Affiliated Companies products in the amount of \$1,776,880 and \$2,151,883 in the years ended March 31, 2025 and 2024, respectively. Transactions with Related Parties are made under market conditions.

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

		For the Year Ended March 31	
		2025	2024
		US Dollar	
C.	<u>Sales, Administrative and General Expenses</u>		
	The Company's participation in the expenses of the Parent Company	2,986,852	2,121,392
	Legal expenses	395	380,375
	Registration and renewal of preparations	68,269	84,888
	Miscellaneous	560,101	612,591
		<u>3,615,617</u>	<u>3,199,246</u>

		For the Year Ended March 31	
		2025	2024
		US Dollar	
D.	<u>Other income, net</u>		
	Revenue from royalties (3)	10,676	16,223
		<u>10,676</u>	<u>16,223</u>

(3) The Company received royalties of \$10,676 and \$16,223 from Affiliated Companies in the years ended March 31, 2025 and 2024, respectively. Transactions with Related Parties are made under market conditions.

Note 8: Taxes on IncomeA. 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 since 2019 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 2019.