

Independent auditor's report

To Heumann Pharma GmbH & Co. Generica KG, Nuremberg

Opinion

We have audited the enclosed balance sheet of Heumann Pharma GmbH & Co. Generica KG, Nuremberg, (the "Company") as of March 31, 2024, the enclosed income statement for the year then ended and the enclosed relevant notes including a summary of the accounting policies (together "the financial statements").

In our opinion, the financial statements of the Company for the year ended March 31, 2024 are prepared, in all material respects, in accordance with the accounting policies.

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the accounting policies, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Final Remarks

This report was issued for information purposes to Heumann Pharma GmbH & Co. Generica KG and must not be used in any other context than to inform its ultimate shareholder Torrent Pharmaceuticals Ltd. and to support the ultimate shareholder in fulfilling its filing requirements under the Indian Companies Act. This report must not, in particular, be handed out to third parties or included in sales prospectuses or similar public documents or media. "Third parties" in these regulations are not Torrent Pharmaceuticals Ltd., Ahmedabad, India, and the Indian Registrar of Companies.

We have provided the services described above on behalf of Heumann Pharma GmbH & Co. Generica KG. We have carried out our engagement on the basis of the General Engagement Terms dated as of January 1, 2024 (Appendix 2) included in our engagement agreement. By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations specified in item No. 9 included therein) and acknowledges their validity in relation to us.


Nuremberg, April 19, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft



Stefan Wiegratz
19.04.2024

Wiegratz
Wirtschaftsprüfer
[German Public Auditor]



Andreas Arndt
19.04.2024

Arndt
Wirtschaftsprüfer
[German Public Auditor]

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Appendix 1

Financial statements

as of March 31, 2024

1.1 Balance sheet

1.2 Income statement

1.3 Notes to financial statements

Heumann Pharma GmbH & Co.

Generica KG, Nuremberg

Nuremberg local court No. HRA 13504

Balance sheet as of March 31, 2024

Assets

	Mar. 31, 2024		Mar. 31, 2023	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	4,812,255.10		5,277,942.58	
2. Prepayments	2,056,916.91	6,869,172.01	1,576,896.24	6,854,838.82
II. Property, plant and equipment				
1. Land, land rights and buildings including buildings on third-party lands	147,000.44		154,056.46	
2. Plant and machinery	130,768.04		188,339.76	
3. Other equipment, furniture and fixtures	430,908.54	708,677.02	472,812.42	815,208.64
		7,577,849.03		7,670,047.46
B. Current financial assets				
I. Inventories				
1. Raw materials, consumables and supplies	0.00		22,905.00	
2. Goods	34,184,241.96		28,790,140.37	
3. Prepayments	0.00	34,184,241.96	724,729.04	29,537,774.41
– thereof against affiliated companies				
EUR 0.00				
(prior year: EUR 724,729.04) –				
II. Receivables and other assets				
1. Trade receivables	26,311,502.90		24,898,877.07	
2. Receivables from affiliates	57,470,755.50		71,417,651.53	
3. Other assets	10,038,088.98	93,820,347.38	15,196,305.33	111,512,833.93
III. Cash at banks		24,033,785.97		8,010,922.93
		152,038,375.31		149,061,531.27
C. Prepaid expenses		580,736.43		408,221.68
D. Deferred tax		1,719,071.81		1,950,119.54
		161,916,032.58		159,089,919.95

Equity and liabilities

	Mar. 31, 2024	Mar. 31, 2023
	EUR	EUR
A. Equity		
I. Capital shares of the limited partners	11,000.00	11,000.00
II. Profit as shown in the balance	28,682,403.49	24,574,805.74
	28,693,403.49	24,585,805.74
B. Provisions		
1. Provisions for pensions and similar obligations	10,385,490.00	10,577,852.00
2. Tax provisions	3,429,307.09	6,303,864.98
3. Other provisions	95,265,144.66	84,644,676.22
	109,079,941.75	101,526,393.20
C. Liabilities		
1. Trade payables	5,647,190.27	4,838,770.84
2. Liabilities to affiliates	17,086,018.52	27,815,462.36
3. Other liabilities	1,409,478.55	323,487.81
– thereof for taxes EUR 136,125.69 (prior year: EUR 138,899.78) –		
	24,142,687.34	32,977,721.01
	161,916,032.58	159,089,919.95

Heumann Pharma GmbH & Co.

Generica KG, Nuremberg

Income statement for the period from April 1, 2023 to March 31, 2024

	2023/2024		2022/2023	
	EUR	EUR	EUR	EUR
1. Revenues		100,055,917.08		91,940,750.66
2. Other operating income		15,206,396.82		5,697,294.69
3. Cost of raw materials, consumables and supplies and of purchased merchandise		-66,034,054.23		-61,202,913.07
4. Personnel expenses				
a) Wages and salaries	-10,826,050.89		-9,644,242.90	
b) Social security, pension and other benefit costs – thereof for old-age pensions EUR 180,555.44 (prior year: EUR 773,382.53) –	-1,905,018.61	-12,731,069.50	-2,259,894.77	-11,904,137.67
5. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment		-1,259,410.82		-1,248,902.65
6. Other operating expenses		-26,428,211.68		-18,265,356.36
7. Other interest and similar income – thereof from affiliates EUR 2,978,011.10 (prior year: EUR 2,777,901.55) –		3,116,240.21		2,791,532.83
8. Interest and similar expenses – thereof to affiliates EUR 835,767.11 (prior year: EUR 499,238.69) – thereof expenses from discounting EUR 131,084.00 (prior year: EUR 237,529.00) –		-969,615.06		-825,260.78
9. Income taxes – thereof expenses from deferred taxes EUR 231,047.73 (prior year: EUR 359,740.04) –		-1,844,108.07		-1,983,115.45
10. Profit after income tax		9,112,084.75		4,999,892.20
11. Other taxes		-4,487.00		-2,479.98
12. Net income		9,107,597.75		4,997,412.22
13. Profit carryforward		24,574,805.74		23,052,393.52
14. Contribution to the capital reserve		0.00		25,000.00
15. Dividend		-5,000,000.00		-3,500,000.00
16. Profit as shown in the balance		28,682,403.49		24,574,805.74

Heumann Pharma GmbH & Co. Generica KG, Nuremberg

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2024

SIGNIFICANT ACCOUNTING POLICIES

Basis for Preparation

The financial statements are prepared and presented using acquisition costs and on accrual basis of accounting in accordance with the generally accepted German accounting principles (GAAP/HGB). Except as otherwise stated, accounting policies are consistently applied.

Use of Estimates

The preparation of financial statements in conformity with GAAP/HGB requires management to make assumptions and estimates, which it believes are reasonable under the circumstances that affect the reported amounts of assets, liabilities and contingent liabilities, if any, on the date of financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the period in which the results are known or materialize.

Intangible Assets

Product licenses are capitalized at the costs comprising of direct costs of purchase and expenses directly attributable to the usage of product licenses.

Software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year in accordance with current GAAP/HGB requirements.

Fixed Assets

Tangible fixed assets are initially measured at acquisition cost. At the end of each reporting period, items of fixed assets are measured at cost less any subsequent accumulated depreciation, amortization and impairment or extraordinary depreciation losses. The cost of assets consists of its purchase price and costs directly attributable to bringing the assets to its working condition for its intended use.

Subsequent expenditure relating to items of a particular fixed asset group that have already been recognized are added to the carrying value amount of such asset when it is assumed that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company. Gain or loss arising on the disposal or retirement of assets is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized in the profit or loss.

Impairment

In order to gain knowledge of assets requiring extraordinary depreciation or write down/up, assets are reviewed for assumed economic benefit at each period end. Extraordinary depreciation is taken on assets no longer achieving positive economic benefit beyond carrying value in the amount of the difference.

Depreciation

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets.

The management estimates of the useful life of various categories of fixed assets are given below:

Office building	33 years 4 months
Machinery	8 years 1 month
Laboratory equipments	13 years
Furniture & fixtures	1 to 13 years
Office equipments	7 to 13 years
Computer equipments	1 to 3 years
Vehicles	1 year
Product license	10 years

Current Investments

Current investments which are readily convertible to a known amount of cash and are not subject to significant risk of changes in value are classified as cash and cash equivalents.

Inventory

Inventories consist of raw materials, finished goods and traded goods and prepayments.

Costs of inventories are initially determined on a moving average basis, these costs are adjusted to reflect the lower of cost, net realizable value or lower purchase price. Provision for impairment is made when there is high uncertainty in salability of a product.

Receivables and Other Assets

Receivables and other assets are stated at the net realizable amount which the management expects to collect from outstanding balances. Provision for doubtful accounts is determined and is provided by the Management through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual accounts.

Revenue Recognition

- (a) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of goods are transferred to customers. Provision/accrual for sales returns, discounts, rebates to the healthcare companies are estimated and provided for in the year of sales and are recorded as reduction from revenue. The exact methodology and assumptions used to estimate rebates, discounts and returns are monitored and adjusted regularly to reflect the actual current situation and contracts.
- (b) Revenue from other income is recognized when reasonable certainty as to its realization exists.
- (c) Interest Income from deposit is recognized at the completion of deposit term.
- (d) As per German GAAP/HGB, income/expense from previous years are recognized as other income/expense previous year.

Foreign Currency Transactions and Translation

Transactions in currencies other than the Euro are recorded at the median rates of exchange published on the dates of the transaction. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. The resultant gains and losses arising on translation are included in profit or loss for the period.

Retirement Benefit Costs

The company accrues retirement benefit based on payroll contribution laws. The 2023-24 retirement benefit obligation and retirement cost are debited/credited as the case may be to the statement of profit and loss of the year.

Taxes

Trade tax is accounted on the basis of estimated taxable income for the current accounting year and in accordance with the local tax laws. Deferred tax resulting from the timing differences between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that asset can be realized in the future.

Provisions, Contingent Liabilities and Contingent Asset and Liabilities

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, and it is probable that there will be an outflow of resources. Liabilities which are of a contingent nature, if any, are not provided for but are disclosed at their estimated amount in the notes forming part of accounts.

Interest and Similar Expense

Interest and similar expense includes interest expense for the borrowings and changes in interest rate regarding the pension liability.