

Independent Auditor's Report

To Torrent Pharma GmbH, Nuremberg

Opinion

We have audited the enclosed balance sheet of Torrent Pharma GmbH, Nuremberg, (the Company) as at March 31, 2021, the enclosed income statement for the year then ended and the enclosed relevant notes including a summary of the accounting policies (together "the financial statement").

In our opinion, the financial statement of the Company for the year ended March 31, 2021 is 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 Statement 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 statement 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 Statement

Management is responsible for the preparation of the financial statement in accordance with the accounting policies, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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.

This report was issued for information purposes to Torrent Pharma GmbH 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 Torrent Pharma GmbH. We have carried out our engagement on the basis of the General Engagement Terms included in our engagement agreement dated as of January 1, 2017 (Appendix 2). 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 22, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signiert von
Holger Kelle
am 22.04.2021

Dr. Kelle
Wirtschaftsprüfer
[German Public Auditor]

Signiert von
Andreas Arndt
am 22.04.2021

Arndt
Wirtschaftsprüfer
[German Public Auditor]

Appendices

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Appendix 1
Annual financial
statements
as at March 31, 2021

1.1 Balance sheet

1.2 Income statement

**1.3 Notes to financial
statements**

Torrent Pharma GmbH, Nuremberg

Balance sheet as at March 31, 2021

Assets

	Mar. 31, 2021		Mar. 31, 2020	
	EUR	EUR	EUR	EUR
A. Shares in affiliates		5,835,070.00		5,835,070.00
B. Current financial assets				
I. Goods		111,883.90		68,060.23
II. Receivables and other assets				
1. Trade Receivables	3,774.33		0.00	
2. Receivables from affiliates	4,620,482.35		5,186,148.83	
3. Other assets	7,503,903.26	12,128,159.94	5,482,520.86	10,668,669.69
III. Cash at banks		1,087,331.68		2,129,251.17
		13,327,375.52		12,865,981.09
C. Prepaid expenses		300.00		300.00
D. Deferred tax		3,783,724.83		2,562,673.08
		22,946,470.35		21,264,024.17

Equity and liabilities

	Mar. 31, 2021	Mar. 31, 2020
	EUR	EUR
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserves	4,441,738.00	4,441,738.00
III. Profit as shown in the balance	4,550,564.71	2,880,003.18
	9,017,302.71	7,346,741.18
B. Provisions		
1. Tax provisions	7,841,363.67	6,325,801.05
2. Other provisions	61,475.00	45,000.00
	7,902,838.67	6,370,801.05
C. Liabilities		
1. Trade Payables	131.63	10,015.19
2. Liabilities to affiliates	2,620,352.86	6,222,000.87
3. Other liabilities		
– thereof for taxes EUR 3,405,844.48 (prior year: EUR 1,314,465.88) –	3,405,844.48	1,314,465.88
	6,026,328.97	7,546,481.94
	22,946,470.35	21,264,024.17

Torrent Pharma GmbH, Nuremberg

Income statement for the period from April 1, 2020 to March 31, 2021

	2020/2021	2019/2020
	EUR	EUR
1. Revenues	347,029.90	647,762.16
2. Other operating income	9,057.39	17,594.25
3. Other operating expenses	-391,014.89	-667,353.27
4. Income from investments		
– thereof from affiliates EUR 7,500,000.00 (prior year: EUR 10,000,000.00) –	7,500,000.00	10,000,000.00
5. Depreciation of financial assets	0.00	-25,000.00
6. Income taxes	-294,510.87	-1,979,386.97
7. Profit after income tax	7,170,561.53	7,993,616.17
8. Net income	7,170,561.53	7,993,616.17
9. Profit carryforward	2,880,003.18	4,886,387.01
10. Dividend	-5,500,000.00	-10,000,000.00
– thereof advanced dividend EUR 5,500,000.00 (prior year: EUR 10,000,000.00) –		
11. Profit as shown in the balance	4,550,564.71	2,880,003.18

Torrent Pharma GmbH

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2021

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.

Fixed Assets

Shares in affiliated companies are recognized at cost.

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.

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.

Inventories

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 saleability of a product.

Trade Receivables

Trade receivables are stated at the net realizable amount which the management expects to collect from outstanding balances. Provision for doubtful accounts is determined & 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 & provided for in the year of sales & are recorded as reduction from revenue. The exact methodology & assumptions used to estimate rebates, discounts & returns are monitored & 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/expenses from previous years are recognized as other income/expenses 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 transactions. 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.

Taxes

Corporate tax and trade tax are 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

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.