

TARO PHARMACEUTICAL INDUSTRIES LTD.

BALANCE SHEETS

| | March 31, 2019 | March 31, 2018 |
|--|------------------|------------------|
| | U.S. Dollars | |
| | Unaudited | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 23,968,925 | 66,462,967 |
| Short-term bank deposits | - | 70,000,000 |
| Marketable Securities | 6,100,522 | 173,101,293 |
| Trade accounts receivable | 5,550,067 | 5,762,386 |
| Other receivables and prepaid expenses: | | |
| Prepaid expenses | 2,295,367 | 2,259,545 |
| Government authorities | 2,207,564 | 1,254,813 |
| Advances to suppliers | 887,109 | 536,886 |
| Derivative instruments | - | 137,582 |
| Intercompany balances | 185,647,559 | 137,224,699 |
| Other | 685,323 | 3,470,388 |
| TOTAL Other receivables and prepaid expenses | 191,722,922 | 144,883,913 |
| Inventories | 56,866,004 | 62,448,663 |
| TOTAL CURRENT ASSETS | 284,208,440 | 522,659,222 |
| Long Term Receivables and Other Assets | 1,502,915,368 | 1,490,041,179 |
| Long Term Marketable Securities | 68,482,950 | 146,190,165 |
| | 1,571,398,318 | 1,636,231,344 |
| FIXED ASSETS: | | |
| Cost | 274,779,245 | 254,849,884 |
| Less - accumulated depreciation | (161,747,766) | (151,467,925) |
| | 113,031,479 | 103,381,959 |
| INTANGIBLE ASSETS AND DEFERRED COSTS, NET | 57,103 | - |
| DEFERRED INCOME TAXES | - | 6,045,846 |
| TOTAL ASSETS | \$ 1,968,695,340 | \$ 2,268,318,371 |

TARO PHARMACEUTICAL INDUSTRIES LTD.

BALANCE SHEETS

| | March 31, 2019 | March 31, 2018 |
|--|-------------------------|-------------------------|
| | U.S. Dollars | |
| | Unaudited | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable: | | |
| Trade payables | 17,726,945 | 10,906,659 |
| Other current liabilities: | | |
| Returns reserve | 269,544 | 213,633 |
| Due to customers | 333,479 | 367,158 |
| Employees and payroll accruals | 11,773,462 | 9,741,426 |
| Accrued income taxes | 15,521,212 | 19,662,786 |
| Legal and audit fees | 652,170 | 1,559,298 |
| Settlements and loss contingencies | 1,840,739 | 1,735,862 |
| Accrued expenses | 5,141,499 | 7,047,689 |
| Derivative instruments | 1,651,270 | - |
| Suppliers of property, plant and equipment | 3,682,572 | 1,616,369 |
| Payable on Purchase of treasury stock | - | 4,348,174 |
| Payable on Purchase of Marketable Securities | - | 3,490,656 |
| Other | 185,372 | 174,203 |
| TOTAL Other current liabilities | <u>41,051,319</u> | <u>49,957,254</u> |
| TOTAL CURRENT LIABILITIES | <u>58,778,264</u> | <u>60,863,913</u> |
| LONG-TERM LIABILITIES: | | |
| Deferred income taxes | 2,985,328 | 326,353 |
| Derivative instruments | 51,186 | 296,620 |
| Other long-term liabilities | 1,344,832 | 1,672,068 |
| | <u>4,381,346</u> | <u>2,295,041</u> |
| SHAREHOLDERS' EQUITY | <u>1,905,535,730</u> | <u>2,205,159,417</u> |
| | <u>\$ 1,968,695,340</u> | <u>\$ 2,268,318,371</u> |

Date of approval of the
financial statements

Mariano Balaguer
Group Vice President, Chief Financial Officer
and Chief Accounting Officer

TARO PHARMACEUTICAL INDUSTRIES LTD.

STATEMENTS OF INCOME

| | For the Year Ended March 31, 2019 | For the Year Ended March 31, 2018 |
|--|---|---|
| | U.S. Dollars | |
| | Unaudited | |
| Sales | \$ 319,483,346 | \$ 246,637,326 |
| Cost of sales | 107,124,119 | 98,923,527 |
| Gross profit | 212,359,227 | 147,713,799 |
| Research and development | 31,704,890 | 40,389,531 |
| Selling and marketing expenses | 5,858,882 | 5,306,511 |
| Settlements and loss contingencies | (3,677,635) | 1,884,359 |
| General and administrative expenses | 15,662,880 | 16,311,922 |
| Operating income | 162,810,210 | 83,821,476 |
| Financing income, net | 15,670,550 | 22,826,211 |
| Other expenses | (236,356) | (18,299,473) |
| Income before taxes on income | 178,244,404 | 88,348,214 |
| Taxes on income | 33,047,313 | 15,416,205 |
| Net income for the period before subsidiaries and dividend | 145,197,091 | 72,932,009 |
| Subsidiaries | 136,579,136 | 138,217,191 |
| Net income for the period | \$ 281,776,227 | \$ 211,149,200 |

TARO PHARMACEUTICAL INDUSTRIES LTD.

Changes in Shareholders' Equity

| | Share Capital | Additional paid in capital | Accumulated other comprehensive loss | Treasury stock | Dividend | Retained Earnings | Total Shareholders' Equity |
|---|---------------|----------------------------|--------------------------------------|----------------|---------------|-------------------|----------------------------|
| | U.S. Dollars | | | | | | |
| | Un-audited | | | | | | |
| Balance at March 31, 2016 | 680,164 | 262,445,018 | (123,025,571) | (203,777,913) | | 1,994,821,091 | 1,931,142,789 |
| Foreign Currency translation adjustments | | | (25,037,801) | | | | (25,037,801) |
| Unrealized losses on available for sale marketable securities | | | (69,307) | | | | (69,307) |
| Treasury stock | | | | (294,896,746) | | | (294,896,746) |
| Net income | | | | | | 456,356,648 | 456,356,648 |
| Balance at March 31, 2017 | 680,164 | 262,445,018 | (148,132,679) | (498,674,659) | | 2,451,177,739 | 2,067,495,583 |
| Foreign Currency translation adjustments | | | 35,931,246 | | | | 35,931,246 |
| Unrealized losses on available for sale marketable securities | | | 1,917,441 | | | | 1,917,441 |
| Treasury stock | | | | (111,334,053) | | | (111,334,053) |
| Net income | | | | | | 211,149,200 | 211,149,200 |
| Balance at March 31, 2018 | 680,164 | 262,445,018 | (110,283,992) | (610,008,712) | | 2,662,326,939 | 2,205,139,417 |
| Foreign Currency translation adjustments | | | (45,742,369) | | | | (45,742,369) |
| Previous years adjustment | | | 11,918,649 | | | 36,925,000 | 36,925,000 |
| Unrealized losses on available for sale marketable securities | | | | (84,501,194) | | | (84,501,194) |
| Treasury stock | | | | | (500,000,000) | | (500,000,000) |
| Issuance of dividend paid | | | | | | 281,776,227 | 281,776,227 |
| Net income | | | | | | 2,981,028,166 | 2,981,028,166 |
| Balance at March 31, 2019 | 680,164 | 262,445,018 | (144,107,712) | (694,509,906) | (500,000,000) | 2,981,028,166 | 1,905,535,730 |