

# **SUN PHARMA ITALIA SRL**

Statutory Statements

at 31 March 2022



Sun Pharma Italia Srl

Bilancio d'esercizio al 31 marzo 2022

Relazione della società di revisione indipendente ai sensi  
dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39



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**INDEPENDENT AUDITOR'S REPORT  
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010**

To the Sole Shareholder of Sun Pharma Italia Srl

**Report on the audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Sun Pharma Italia Srl (the Company, formerly Ranbaxy Italia SpA), which comprise the statement of financial position as at March 31, 2022 and the income statements and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2022, of its financial performance and its cash flows for the year then ended in accordance with in accordance with Italian Accounting Standards issued by the Italian Accounting Standards Setter (OIC).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). 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 ethical and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

We draw attention to the following matters illustrated by the Directors in the notes:

- on February 7, 2022, the Board of Directors approved a restructuring project which resulted in the cessation of the retail business activities related to retail sales in pharmacies and the consequent restructuring costs for € 1.5 million recorded under personnel costs.
- the change in the item "other management charges" compared to the previous year is mainly represented by the hospital clawback for the years 2019 (€ 1.2 million) and 2020 (€ 1.3 million) paid during the year. In addition, the Company has accrued in the provisions for risks and charges the total amount of € 1,1 million which represents the best estimate of hospital clawback for the year 2021 and for the first quarter of 2022.

MILANO ROMA TORINO PADOVA GENOVA BRESCIA PISA BOLOGNA

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Capitale Sociale € 700.000 I.v. - Iscritta al Registro delle Imprese di Milano  
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#### Other Matter

The Company, as required by law, has included in the explanatory notes the most recent financial statements of the company holding the management and coordination function. Our opinion on the financial statements of the Sun Pharma Italia Srl is not extended to such data.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Italian Accounting Standards Setter (OIC) and, in the terms established by law, 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 related 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.

#### 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 ISA Italia 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 these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



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auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as requested by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on compliance with other laws and regulations

#### Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree 39/10

Management of Sun Pharma Italia Srl is responsible for preparing a report on operations of the Sun Pharma Italia Srl as of March 31, 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the report on operations with the financial statements of Sun Pharma Italia Srl, as of March 31, 2022.

In our opinion, the report on operations is consistent with the financial statements of Sun Pharma Italia Srl, as of 31 March 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e) of Legislative Decree 39/10 issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, May 5, 2022

Crowe Bompani SpA

Alessandro Ruina

(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

**SUN PHARMA ITALIA SRL**

Registered office: Viale Giulio Richard, 1 Milano (MI)  
Registered with the Register of Trading Companies in Milan  
Tax payer Code and registration no. 04974910962  
Registered in the R.E.A. of Milan no.1787791  
Share capital subscribed € 50.000 fully paid-in  
VAT number: 04974910962  
Sole shareholder

Company exercising the management and coordination activity: Sun Pharmaceuticals Industries Limited

**Management Report***Financial Statements at 31/03/2022*

Dear Shareholder,

We would like to bring to your attention the Financial Statements for the Fiscal year ended on 31<sup>st</sup> March 2022, showing a profit before tax of € 1.524.319, and a net profit of € 1.275.115.

First of all, we would like to highlight that this Directors' Report has been drawn up in compliance with the provisions set forth by art. 2428 of the Civil Code, so as amended by the Legislative Decree of 2 February 2007, n. 32 and by the subsequent art. 2, paragraphs 1, Legislative Decree of 6 November 2007, n. 195 and by the recent D.Lgs. 139/2015.

In the Supplementary Notes you have been given details concerning the financial statements at 31st March 2021; in this document, pursuant to the provisions set forth by art. 2428 of the Civil Code, we would like to provide you with the information concerning the situation of your Company and on the management trend.

This report, drawn up with figures in Euros (thousands separated by “.” and decimals separated by “,”), is presented together with the financial statements for the Fiscal Year for the purpose of providing income, assets, financial information of the Company together with – whenever possible – historical elements and prospective evaluations.

**Company Information**

The Company operates in the sector of pharmaceutical products distribution, and specifically in the market segment related

to generic drugs.

In this segment, Sun Pharma Italia supplies its products both in the so-called "Retail" channel - through direct distribution to pharmacies, and indirectly through wholesalers and concessionaires - and in the "Hospital" channel, both public and private.

During the fiscal year, we saw the consolidation of the business share for the division "Brand", thanks to the turnover growth realized by the product Odomzo®, launched in 2019.

In addition, a less significant share of the Company's turnover is attributable to the "business to business" (B2B) activity that sees Sun Pharma Italia supplying drugs to some companies operating in the sector.

The financial year ended March 31, 2022 recorded a positive increase in the value of production (+15%) mainly attributable to the growth in revenues from sales of pharmaceutical products of approximately € 6 million (+18%); this growth was mainly driven by the "Hospital" market, which recorded an increase in turnover of € 8,3 million (+41%), of which € 4,6 million are due to the sales growth of Odomzo® and € 3,7 million to the growth of the generics drugs.

The "Retail" business, instead, reported a decrease of € 1,8 million (-15%), consistent with the national retail market decline, and with the increased difficulty in meeting the competitive challenge of companies with a high market share.

Although less significant in absolute terms, there was also a 35% decline in the B2B segment, corresponding to 0,5 million.

The percentage composition of revenues by type is shown below:

<b>Channel</b>	<b>31/03/2021</b>	<b>31/03/2022</b>
Retail	35%	25%
Hospital	50%	52%
B2B	5%	3%
Brand	10%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The variation in the value of production is also explained by:

- a lower variation in finished products inventory (€ 0,5 million);
- a decrease in the item "Other revenues" (€ 0,1 million) represented by the recharging of costs to Group companies.

The cost of production sold recorded an increase of 10%, in consideration of the increase in sales revenues described above; however, it is worth noting the decrease in the absolute incidence, which represents 55% of revenues compared to 57% of last year.

General expenses remained unchanged compared to the previous year and consequently their incidence on total revenues decreased (23% compared to 26%).

Thanks to the increase in revenues, the lower incidence of production costs and overheads, the Added Value increased by 54%, representing approximately 23% of the value of production (compared to 17% in the year ended March 31, 2021).

We would like to focus on the item "personnel costs", whose increase is mainly due to the "restructuring costs" component.

€ Millions	31/03/2021	31/03/2022
Personnel costs	3,89	5,78
Restructuring Expenses		1,53
Personnel costs net of restructuring expenses	<b>3,89</b>	<b>4,25</b>

Net of restructuring costs, personnel costs increased by approximately € 0,4M, or 9%, mainly by virtue of the salary increases awarded and the sales bonuses paid to employees.

On February 7, 2022, the Board of Directors of Sun Pharma Italia srl approved a corporate restructuring project which resulted in the termination of the Retail business relating to direct sales to pharmacies.

The resolution comes after an in-depth assessment of the market and the company structure and the following considerations.

Sun Pharma Italia has a small market share in the retail sector (less than 1%). In order for a company to be successful in the pharmacy retail channel it is necessary that (i) a broad portfolio of retail drugs is available to be offered, (ii) the drugs are manufactured by group companies in order to contain purchase costs, (iii) there is a pipeline (therefore commercial innovations to offer) capable of making the company competitive with direct competitors within the reference market.

The portfolio of drugs currently marketed by Sun Pharma Italia in the Retail area depends to a considerable extent on the purchase from third party suppliers (for about 30% of the purchase cost), with a consequent increase in costs that has made this division of the company business economically no longer sustainable, making it appropriate the closure of retail business with regards to direct sales to pharmacies, while sales activity to wholesalers and distributors may possibly carry on.

The divestment resulted in the termination of the employment contracts of the sales staff in the pharmacy channel, as well as of the support functions directly or indirectly involved in activities relating to the sale to pharmacies (for a total of 13 employees).

Finally, the Company simultaneously reorganized the structure of the hospital sales line, reducing the number by one unit. Considering what above described, the restructuring costs indicated in the table above were incurred.

The Gross Operating Margin grew by 64%, (substantially like the previous year), representing 8,8% of the value of production, compared to 6,1% in the previous year.

The Company, as in the previous year, confirms the constant effort in credit management and credit collection activities, which made possible to further improve collection times. The company DSO (Days of Sales Outstanding, value



representing the account receivable exposure in terms of number of days of sales to be collected) moved in fact from 110 to 99 days, this representing the best ever value recorded.

The collection times for hospital credits remained substantially stable, going from 90 to 88 days.

Receivables in the retail channel decreased in consideration of both the lower turnover achieved, but also due to the improvement in collection times from pharmacies (the DSO passing from 154 to 134), while the collection times for receivables from concessionaires significantly deteriorated (DSO 129 days to 168), and to wholesalers (DSO 114 to 119).

The provision for bad debts was adjusted in consideration of the assessment of the risk of loss on trade receivables, in particular associated with specific situations of non-performing or long-term credit.

The above, and also considering a lower value of depreciation for the year, explains the change in the value of the item "Amortization and depreciation", which increased by about € 14.000 compared to the previous year.

It is necessary to provide more detailed information regarding the item "Other operating expenses" which go from € 1,0 million in the year ended March 31, 2021 to € 4,9 million in the year ended March 31, 2022.

The increase is mainly due to the so-called "hospital clawback", a mechanism that provides, in the event that the hospital pharmaceutical expenditure ceiling at national level is exceeded, the recovery of half of the surplus by the pharmaceutical companies through payments to the Regions of the amounts allocated to the companies themselves by the Italian Medicines Agency (AIFA).

In the years from 2013 (year of establishment of the mechanism) to 2018, the amount paid by the companies was the result of settlement agreements resulting from legal recourse actions and was less than the required; on the basis of this, the provision was made for the following years.

Since 2019, the methodology for allocating the quotes of clawback changed and during the year covered by this Report the appeals raised by all pharma companies were rejected. As a result, the amounts requested for 2019 (€ 1,2 million) and for the year 2020 (€ 1,3 million) were paid to the Regions; also the best estimate for the year 2021 and for the first quarter of the year 2022 was provided (€ 1,1 million).

During the year, the Company, as already stated:

- confirmed its presence in the generic products market, focusing in particular on the "hospital" sector and rationalizing the distribution model and product portfolio in the "retail" sector;
- has further increased penetration in the "brand" sector relating to the therapeutic area of the Odomzo® drug, thanks to a dedicated structure;
- implemented organizational changes consistent with the decisions made regarding the new business model in the retail sector;

In addition, your Company has continuously monitored costs, focused on achieving savings, and has constantly evaluated the margins indicators in order to implement initiatives aimed at improving the Gross Operating Margin.

The Company will continue to focus on the following strategies:

- Differentiation of its market positioning, through the development of the market for so-called “complex generic products” and "differentiated products”;
- Maintaining the presence in the retail market, thanks to the consolidation of the new business model implemented
- Affirmation of Odomzo®® and preparation of the "brand" sector for future products that will be marketed;
- Decrease in the incidence of fixed costs, through an increase in turnover volumes and control of overheads;
- Improvement of profitability in the various business units and in the various channels;
- Efficiency in inventory rotation, with minimization of obsolescence phenomena, as well as product stock out issues;
- Credit management in order to reduce the risk of insolvency and improve payment times.

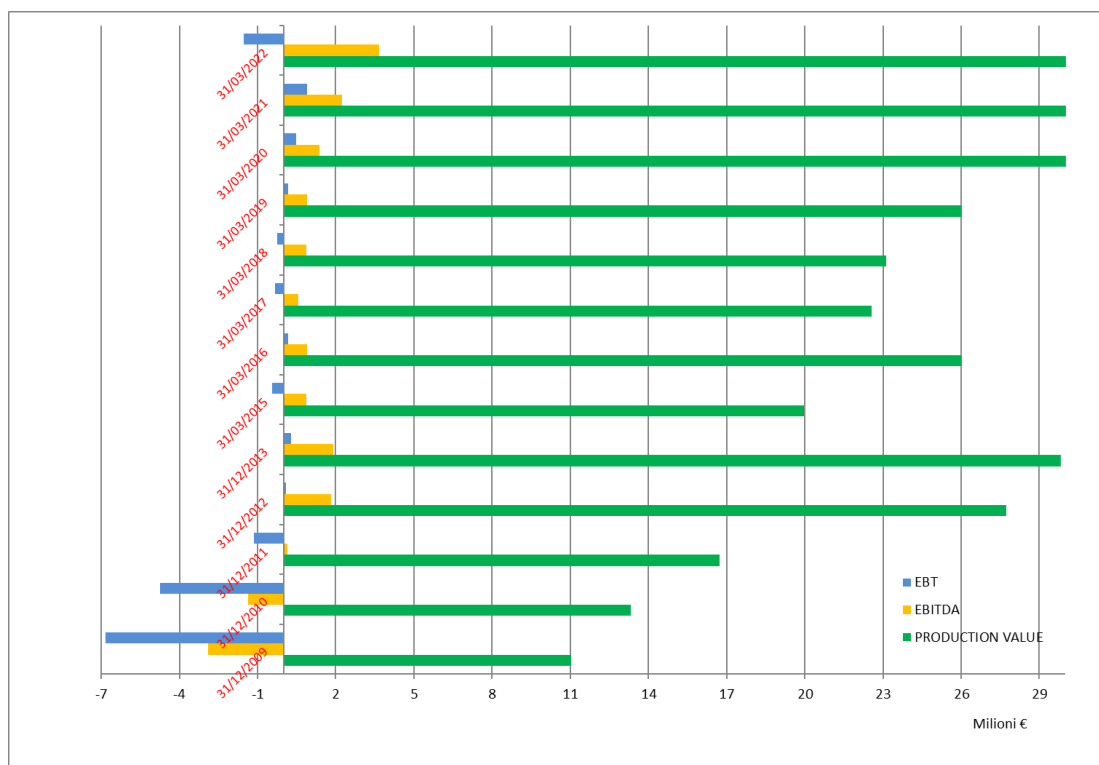
## Profit & Loss

To better understand the results of the Company management, the chart below shows the Income statement reclassification.

	FY 2021		FY 2020		FY 2019		FY 2018	
	01.04.2021	%	01.04.2020	%	01.04.2019	%	01.04.2018	%
	31.03.2022		31.03.2021		31.03.2020		31.03.2019	
<b>PRODUCTION VALUE</b>	<b>41.734.912</b>	<b>100,0%</b>	<b>36.351.638</b>	<b>100,0%</b>	<b>32.985.697</b>	<b>100,0%</b>	<b>26.018.381</b>	<b>100,0%</b>
- Cost of goods sold	22.736.625	54,5%	20.674.602	56,9%	17.343.609	52,6%	12.349.375	47,5%
- General expenses	9.564.339	22,9%	9.560.919	26,3%	10.782.850	32,7%	9.689.293	37,2%
<b>VALUE ADDED</b>	<b>9.433.948</b>	<b>22,6%</b>	<b>6.116.117</b>	<b>16,8%</b>	<b>4.859.237</b>	<b>14,7%</b>	<b>3.979.713</b>	<b>15,3%</b>
- Personnel cost	5.775.381	13,8%	3.888.467	10,7%	3.490.944	10,6%	3.092.027	11,9%
<b>EBITDA</b>	<b>3.658.567</b>	<b>8,8%</b>	<b>2.227.650</b>	<b>6,1%</b>	<b>1.368.294</b>	<b>4,1%</b>	<b>887.686</b>	<b>3,4%</b>
- Amortization & Depreciation	244.839	0,6%	230.468	0,6%	220.236	0,7%	108.501	0,4%
<b>GROSS OPERATING MARGIN</b>	<b>3.413.728</b>	<b>8,2%</b>	<b>1.997.182</b>	<b>5,5%</b>	<b>1.148.057</b>	<b>3,5%</b>	<b>779.185</b>	<b>3,0%</b>
- Miscellaneous expenses	4.887.300	11,7%	1.012.411	2,8%	544.170	1,6%	464.917	1,8%
<b>MARGIN BEFORE INTERESTS</b>	<b>- 1.473.572</b>	<b>-3,5%</b>	<b>984.771</b>	<b>2,7%</b>	<b>603.888</b>	<b>1,8%</b>	<b>314.268</b>	<b>1,2%</b>
- Financial income	83	0,0%	148	0,0%	225	0,0%	4.739	0,0%
+/- Forex adjustments	- 4.464	0,0%	2.492	0,0%	- 8.815	0,0%	- 5.005	0,0%
<b>NET OPERATING MARGIN</b>	<b>- 1.477.952</b>	<b>-3,5%</b>	<b>987.411</b>	<b>2,7%</b>	<b>595.297</b>	<b>1,8%</b>	<b>314.002</b>	<b>1,2%</b>
- Financial charges	- 46.366	-0,1%	- 100.505	-0,3%	- 123.760	-0,4%	- 127.339	-0,5%
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>- 1.524.318</b>	<b>-3,7%</b>	<b>886.906</b>	<b>2,4%</b>	<b>471.537</b>	<b>1,4%</b>	<b>186.663</b>	<b>0,7%</b>
- Income Taxes	- 289.779	-0,7%	108	0,0%	267.435	0,8%	59.809	0,2%
<b>NET PROFIT/(LOSS)</b>	<b>- 1.234.540</b>	<b>-3,0%</b>	<b>886.798</b>	<b>2,4%</b>	<b>204.102</b>	<b>0,6%</b>	<b>126.854</b>	<b>0,5%</b>

Here below you can see the summary trend of sales and margins over the period 2009-2022:

	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022
<b>PRODUCTION VALUE</b>	11.033.418	13.320.958	16.718.568	27.715.912	29.817.816	19.965.461	26.018.381	22.567.257	23.130.764	26.018.381	32.985.697	36.351.638	41.734.912
<b>EBITDA</b>	-2.889.533	-1.362.596	137.554	1.813.510	1.907.664	873.994	887.686	554.903	868.110	887.686	1.368.294	2.227.650	3.658.567
<b>EBT</b>	-6.835.892	-4.748.837	-1.145.862	83.122	276.921	-441.719	186.663	-321.431	-252.678	186.664	471.538	886.907	-1.524.318



The expectation for the next fiscal year is to consolidate the positive trend, in particular the “Hospital” sector that also includes the “Brand” products. In detail, it is expected:

- A greater penetration in the "Hospital" market, through greater price competitiveness in participation in tenders for the supply of drugs to public hospitals, an increase of private “Hospital” customers, an improved product acquisition process, both from companies of the group and from third parties, the launch of new drugs characterized in particular by high complexity and low competitiveness;
- The recovery of profitability in the "retail" market, thanks also to the reorganization of the sales process just defined;
- The maintenance of the Odomzo® growth curve in the “brand” market sector;
- The increase in "B2B" turnover, thanks to the development of new commercial agreements.

The above, together with the continuous control and rationalization of costs, and the ever lower incidence of fixed costs, will allow a further improvement in the Gross Operating Margin.

## Balance Sheet

To better understand the Company assets and the financial situation, the chart below shows the Balance Sheet reclassification.

### Assets

Item	FY 2020		FY 2020		Absolute		FY 2019	
	01.04.2021	%	01.04.2020	%	variation	%	01.04.2019	%
	31.03.2022		31.03.2021				31.03.2020	
<b>WORKING CAPITAL</b>	<b>23.935.375</b>	<b>100%</b>	<b>22.782.171</b>	<b>100%</b>	<b>1.153.205</b>	<b>5%</b>	<b>22.698.179</b>	<b>100%</b>
<b>Cash &amp; Bank Balances</b>	<b>566.237</b>	<b>2%</b>	<b>94.703</b>	<b>0%</b>	<b>471.533</b>	<b>498%</b>	<b>395.174</b>	<b>7%</b>
Cash & Bank Balances	566.237	2%	94.703	0%	471.533	498%	395.174	7%
<b>Current Assets</b>	<b>14.855.471</b>	<b>62%</b>	<b>15.003.909</b>	<b>66%</b>	<b>-148.438</b>	<b>-1%</b>	<b>15.922.878</b>	<b>70%</b>
Sundry Debtors	13.441.213	56%	14.032.797	61%	-591.585	-4%	15.015.368	65%
Deferred Tax Assets	1.259.997	5%	918.556	4%	341.442	37%	834.462	4%
Accrued Income and Prepaid Expenses	154.261	1%	52.556	0%	101.706	194%	73.048	0%
<b>Inventory</b>	<b>8.513.668</b>	<b>36%</b>	<b>7.683.559</b>	<b>34%</b>	<b>830.109</b>	<b>11%</b>	<b>6.380.127</b>	<b>23%</b>
<b>FIXED ASSETS</b>	<b>24.685</b>	<b>0%</b>	<b>46.886</b>	<b>0%</b>	<b>-22.201</b>	<b>-47%</b>	<b>58.788</b>	<b>0%</b>
Intangible Fixed Assets	3.193	0%	19.088	0%	-15.894	-83%	37.105	0%
Tangible Fixed Assets	21.492	0%	27.799	0%	-6.307	-23%	21.683	0%
<b>TOTALE ASSETS</b>	<b>23.960.061</b>	<b>100%</b>	<b>22.829.057</b>	<b>100%</b>	<b>1.131.004</b>	<b>5%</b>	<b>22.756.966</b>	<b>100%</b>

### Liabilities

Item	FY 2020		FY 2020		Absolute		FY 2019	
	01.04.2021	%	01.04.2020	%	variation	%	01.04.2019	%
	31.03.2022		31.03.2021				31.03.2020	
<b>THIRD PARTIES CAPITAL</b>	<b>23.925.156</b>	<b>100%</b>	<b>21.559.612</b>	<b>94%</b>	<b>2.365.544</b>	<b>11%</b>	<b>22.374.319</b>	<b>99%</b>
<b>Current Liabilities</b>	<b>21.637.751</b>	<b>90%</b>	<b>16.626.244</b>	<b>73%</b>	<b>5.011.507</b>	<b>30%</b>	<b>14.061.873</b>	<b>47%</b>
Short-term payables (Debts)	21.637.376	90%	16.619.739	73%	5.017.637	30%	14.056.948	47%
Accrued Expenses and Deferred Income	375	0%	6.505	0%	-6.130	-94%	4.925	0%
<b>Loans Funds &amp; Provisions</b>	<b>2.287.405</b>	<b>10%</b>	<b>4.933.369</b>	<b>22%</b>	<b>-2.645.964</b>	<b>-54%</b>	<b>8.312.446</b>	<b>52%</b>
Medium Term I/C Loan	0	0%	4.200.920	18%	-4.200.920	-100%	7.582.288	47%
Provisions	1.892.406	8%	366.227	2%	1.526.179	417%	412.353	3%
Provision for Retirement Benefit	394.999	2%	366.221	2%	28.777	8%	317.805	2%
<b>NET EQUITY</b>	<b>34.905</b>	<b>0%</b>	<b>1.269.445</b>	<b>6%</b>	<b>-1.234.540</b>	<b>-97%</b>	<b>382.647</b>	<b>1%</b>
Share Capital	50.000	0%	50.000	0%	0	0%	50.000	0%
Reserves	18.237	0%	18.237	0%	0	0%	8.032	1%
Retained Earnings	1.201.208	5%	314.409	1%	886.799	282%	120.512	-1%
Profit (loss) for the period	-1.234.540	-5%	886.799	4%	-2.121.339	-239%	204.102	1%
<b>TOTAL SOURCES</b>	<b>23.960.061</b>	<b>100%</b>	<b>22.829.057</b>	<b>100%</b>	<b>1.131.004</b>	<b>5%</b>	<b>22.756.966</b>	<b>100%</b>

## **Information ex art 2428 C.C.**

Here below the information required by the provisions of art. 2428 of the Civil Code are analysed in detail.

### **Main risks and uncertainties for the company**

According to the first paragraph of art. 2428 of the Civil Code, it was not considered necessary to provide further information on this subject as, given the size of the Company, the memo accounts and the information specified in the supplementary notes, are already properly expressed on any risk and uncertainty related with the corporate business.

### **Non-financial main ratios**

According to the second paragraph of art. 2428 of the Civil Code, for a better understanding of the Company current position, of the business trend and result, indicating the non-financial ratios was considered irrelevant.

### **Environment information**

The Company has not proceeded with any particular environmental policy, as unnecessary to its business.

### **Personnel information**

The staff at March 31, 2022 was composed of 41 units, substantially unchanged compared to the previous year; this number includes the 14 units subject to the procedure for terminating the employment relationship and whose last working day was, in fact, March 31, 2022

### **1. R&D activity**

According to and setting forth on point 1) of the third paragraph of art. 2428 from Civil Code, no R&D activity was performed during this financial year.

### **2. Relationships with subsidiaries, associated and parent companies**

According to the provisions on point 2) of the third paragraph of art. 2428 from Civil Code the Company holds no shares.

Sun Pharma Italia has a sole shareholder of 100%, Sun Pharma (Netherlands) B.V., which is itself a subsidiary of Sun Pharmaceutical Industries Ltd .

During the year, commercial relationships and financial transactions were entertained with certain companies of the Group. In particular, the existing loan with the parent company was repaid, and the loan with Basics GmbH was increased.

The following table summarizes the debtor credit positions and the revenues and costs deriving from all the transactions with related parties:

Entity	Description	Amount €
<i>Payables</i>		
Sun Pharmaceutical Industries Limited	Purchase of products	5.956.390
Terapia S.A.	Purchase of products	114.836
Sun Pharmaceutical Industries (Europe) B.V.	Administrative Expenses, testing fees for product quality control and regulatory expenses	178.429
Alkaloida Chemical Company Zrt.	Purchase of products and correlated expenses	33.607
Sun Pharma France	Purchase of products	10.890
Sun Pharma Holding USA Inc	Acquisto di prodotti finiti	146.413
Sun Pharmaceuticals Germany GmbH	Purchase of products	13.926
Basics GmbH	Loan and interests on loan	5.526.542
	<i>Total</i>	<i>11.981.033</i>
<i>Receivables</i>		
Sun Pharmaceutical Industries Limited	Recharge of penalties and expenses	699.453
	<i>Total</i>	<i>699.453</i>
<i>Expenses</i>		
Sun Pharmaceutical Industries Limited	Purchase of products	11.629.607
Sun Pharmaceutical Industries Limited	Insurance Expense	22.556
Sun Pharma France	Purchase of products	31.905
Sun Pharma Laboratorios S.L.U (Formerly Laborat Ranbaxy SLU)	Purchase of products	7.080
Terapia S.A.	Purchase of products	163.039
Sun Pharmaceuticals Germany GmbH	Purchase of products	48.633
Alkaloida Chemical Co. ZRT	Purchase of products	120.970
Sun Pharmaceutical Industries (Europe) B.V.	Purchase of products	80.465
Sun Pharmaceutical Industries (Europe) B.V.	Administrative expenses	1.014.758
Sun Pharmaceutical Industries (Europe) B.V.	Testing fees	248.646
Sun Pharmaceutical Industries (Europe) B.V.	Expense recharge (hotel costs etc.)	2.639
Sun Pharmaceutical Industries (Europe) B.V.	Regulatory Expenses	125.750
Sun Pharma (Netherlands) BV (Formerly Ranbaxy Neth. BV RNBV)	Loan Interests	18.923
Sun Pharma (Netherlands) BV (Formerly Ranbaxy Neth. BV RNBV)	Insurance Expense	28.398
Basics GmbH	Loan Interests	26.542
Sun Pharma Holding USA Inc	Acquisto di prodotti finiti	146.413
	<i>Total</i>	<i>13.716.324</i>
<i>Income</i>		
Ranbaxy (U.K.) Ltd.	Sale of products	28.083
Sun Pharmaceutical Industries Limited	Recharge of penalties	340.398
Sun Pharmaceutical Industries Limited	Recharge of brand expenses	584.895
	<i>Total</i>	<i>953.376</i>

### 3. Own shares

According to art. 2428, paragraphs 3, points 3 and 4 from the Civil Code, the Company has no own shares.

#### **4. Shares/interests of parent company**

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According to art. 2428, paragraphs 3, points 3 and 4 from the Civil Code, the Company holds no interests of parent Company.

#### **5. Business forecast**

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Pursuant to and for the purposes of what indicated in point 6) of the third paragraph of art. 2428 of the Civil Code, it should be noted that the Company will continue its commitment to improve the operating result. To this end, an economic budget was prepared which foresees also for the financial year ending 31 March 2023 the achievement of a positive result, thanks to the organic growth in the volume of business, the launch of new products, in particular in the hospital channel, and to operational efficiency initiatives which will allow to maintain a constant level of operating expenses.

#### **5bis. Use of relevant financial tools for assessment of financial position and results**

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The Company makes no use of financial tools to manage its exposure to market price risks, credit risks, cash risks and other risks arising from swing of cash flows, except for an "overdraft" credit line € 5 million at Deutsche Bank partially used.

#### **Company locations**

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The Company does not have secondary offices.

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For the Board of Directors  
Hellen de Kloet

## Company Data

Denomination:	SUN PHARMA ITALIA SRL
Registered Office:	VIALE GIULIO RICHARD, 1 – 20143 MILANO
Share Capital:	50.000,00
Share Capital Fully paid:	yes
CCIAA code:	MI
VAT Code:	04974910962
Fiscal Code:	04974910962
REA Number:	1787791
Legal Form:	SOCIETA' A RESPONSABILITA' LIMITATA
Sector of main activity (ATECO):	464610
Company in liquidation:	no
Sole Shareholders Company:	yes
Company subject to management and coordination of others:	yes
Name of the Company or Entity exercising the management and coordination activity:	SUN PHARMACEUTICALS INDUSTRIES LIMITED
Group membership:	yes
Name of Parent Company:	SUN PHARMACEUTICALS INDUSTRIES LIMITED
Country of the Parent Company:	INDIA

# Financial statements at 31/03/2022

## Balance Sheet

	31/03/2022	31/03/2021
<b>ASSETS</b>		
<b>B) FIXED ASSETS</b>		
I - INTANGIBLE ASSETS		
3) Industrial patent rights and others	15	1.641
4) Concessions, licenses, trademarks and similar rights	3.178	3.512
5) Goodwill		
7) Other intangible assets	-	13.934



	31/03/2022	31/03/2021
<b>TOTAL INTANGIBLE ASSETS</b>	3.193	19.088
<b>II - TANGIBLE ASSETS</b>		
2) Equipment and machinery	-	-
4) Other tangible assets	21.492	27.799
<b>TOTAL TANGIBLE ASSETS</b>	21.492	27.799
<b>TOTAL FIXED ASSETS (B)</b>	24.685	46.886
<b>C) CURRENT ASSETS</b>		
<b>I - INVENTORY</b>		
1) Raw materials and consumables	-	-
4) Finished goods and goods for resale	8.513.668	7.683.559
<b>TOTAL INVENTORY</b>	8.513.668	7.683.559
<b>II - RECEIVABLES</b>		
1) Trade receivables	11.567.401	11.232.393
Trade receivables within 12 months	11.567.401	11.232.393
Trade receivables beyond 12 months	-	-
4) Receivable from Parent Companies	699.453	833.978
Receivable from Parent Companies within 12 months	699.453	833.978
Receivable from Parent Companies beyond 12 months	-	-
5) Receivable from Companies controlled by Parent Companies	-	164.991
Receivable from Companies controlled by Parent Companies within 12 months	-	164.991
Receivable from Companies controlled by Parent Companies beyond 12 months	-	-
5-bis) Tax credit	134.490	549.704
Tax credits within 12 months	134.490	549.704
Tax credits beyond 12 months	-	-
5-ter) Advanced taxes	1.259.997	918.556
Advanced taxes within 12 months	1.259.997	918.556
Advanced taxes beyond 12 months	-	-
5-quater) Other receivables from third parties	1.039.869	1.251.731
Other receivables from third parties within 12 months	1.039.869	1.251.731
Other receivables from third parties beyond 12 months	-	-
<b>TOTAL RECEIVABLES</b>	14.701.210	14.951.353
<b>IV - CASH AND BANKS</b>		
1) Bank and postal deposits	565.351	94.173
2) Checks	-	-

	31/03/2022	31/03/2021
3) Cash	885	530
<i>TOTAL CASH AND BANKS</i>	566.237	94.703
<i>TOTAL CURRENT ASSETS (C)</i>	23.781.114	22.729.615
<b>D) DEFERRALS AND ACCRUALS - ASSETS</b>		
Prepayments and deferred expenditures	154.261	52.556
<i>TOTAL DEFERRALS AND ACCRUALS - ASSETS (D)</i>	154.261	52.556
<i>TOTAL ASSETS</i>	23.960.061	22.829.057
<b>LIABILITIES</b>		
<b>A) SHAREHOLDERS' EQUITY</b>		
I – Share capital	50.000	50.000
IV - Legal reserve	16.548	16.548
VII - Other reserves	1.689	1.689
<i>Total Other Reserves</i>	1.689	1.689
VIII - Profits and Losses brought forward	1.201.208	314.409
IX - Profit (loss) for the period		
Profit (loss) for the period	(1.234.540)	886.799
<i>Profit (loss) residual</i>	(1.234.540)	886.799
<i>TOTAL SHAREHOLDERS' EQUITY (A)</i>	34.905	1.269.444
<b>B) CONTINGENCY RESERVES</b>		
1) Reserve for pensions and similar obligations	511.490	65.310
2) Deferred taxes		
3) Others	1.380.917	300.917
<i>TOTAL CONTINGENCY RESERVES (B)</i>	1.892.406	366.227
<b>C) STAFF LEAVE INDEMNITY</b>	394.999	366.221
<b>D) PAYABLES</b>		
3) Debts towards shareholders for financing	-	4.200.920
Debts towards shareholders for financing within 12 months		
Debts towards shareholders for financing beyond 12 months	-	4.200.920
4) Debts to Bank	2.767.093	159.350
Payables within 12 months	2.767.093	159.350
Payables beyond 12 months	-	-
7) Trade payables	4.401.024	4.890.533
Trade payables within 12 months	4.401.024	4.890.533
Trade payables beyond 12 months	-	-

	31/03/2022	31/03/2021
11) Payables to parent companies	5.956.390	5.497.519
Payables to parent companies within 12 months	5.956.390	5.497.519
Payables to parent companies beyond 12 months	-	-
11 bis) Payables to companies subject to control of parent company	6.024.643	5.072.959
Payables to companies subject to control of parent company within 12 months	6.024.643	5.072.959
Payables to companies subject to control of parent company beyond 12 months	-	-
12) Taxes payables	71.151	66.214
Taxes payables within 12 months	71.151	66.214
Taxes payables beyond 12 months	-	-
13) Social security payables	216.079	187.369
Social security payables within 12 months	216.079	187.369
Social security payables beyond 12 months	-	-
14) Other payables	2.200.996	745.794
Other payables within 12 months	2.200.996	745.794
Other payables beyond 12 months	-	-
<b>TOTAL PAYABLES (D)</b>	<b>21.637.376</b>	<b>20.820.659</b>
<b>E) DEFERRALS AND ACCRUALS - LIABILITIES</b>		
Accruals and deferred income	375	6.505
<b>TOTAL DEFERRALS AND ACCRUALS - LIABILITIES (E)</b>	<b>375</b>	<b>6.505</b>
<b>TOTAL LIABILITIES</b>	<b>23.960.060</b>	<b>22.829.057</b>

## Profit and Loss

	31/03/2022	31/03/2021
<b>A) PRODUCTION VALUE</b>		
1) Net sales from products and services	39.895.966	33.921.578
2) Variation of inventory products	830.109	1.303.431
5) Other operating income		
Others	1.008.837	1.126.629
<i>Total other operating income</i>	1.008.837	1.126.629
<b>TOTAL PRODUCTION VALUE</b>	<b>41.734.912</b>	<b>36.351.638</b>
<b>B) PRODUCTION COSTS</b>		
6) Costs of raw materials, auxiliary materials, merchandise and other goods	22.736.625	20.674.602

	31/03/2022	31/03/2021
7) Costs of services	9.174.693	9.231.877
8) Costs for use of third parties assets	389.646	329.042
9) Labour costs		
a) Salaries and wages	2.997.184	2.777.838
b) Costs of social security	980.110	818.058
c) Staff leave indemnity	208.168	190.270
d) Pensions and similar commitments	51.176	46.670
e) Other labour costs	1.538.742	55.631
<i>Total Labour Costs</i>	<i>5.775.381</i>	<i>3.888.467</i>
10) Depreciation and write downs		
a) Depreciation of intangible fixed assets	15.894	18.017
b) Depreciation of tangible fixed assets	8.700	8.668
c) Other Depreciation of fixed assets	-	-
d) Current assets written off	220.245	203.783
<i>Total depreciation and write downs</i>	<i>244.839</i>	<i>230.468</i>
12) Provision for risks	1.130.000	
13) Other provisions	-	-
14) Other operating expenses	3.757.300	1.012.411
<b>TOTAL PRODUCTIONS COSTS</b>	<b>44.362.270</b>	<b>35.366.867</b>
<b>Net income from operating activities (A - B)</b>	<b>(1.473.572)</b>	<b>984.771</b>
<b>C) FINANCIAL INCOME AND EXPENSES</b>		
16) Other financial income		
d) Other financial income		
Others	83	148
<i>Total other financial income different from the previous</i>	<i>83</i>	<i>148</i>
<i>Total Other financial income</i>	<i>83</i>	<i>148</i>
17) Interests payable and other financial expenses		
Interests payable to Parent Companies	(18.923)	(34.512)
Interests payable to Companies controlled by Parent Companies	(26.542)	(62.376)
Others	(901)	(3.616)
<i>Total Interests payable and other financial expenses</i>	<i>(46.366)</i>	<i>(100.504)</i>
17-bis) Profit and loss on exchange	(4.464)	2.492
<i>Total financial income (loss) (15+16-17-17bis)</i>	<i>(50.747)</i>	<i>(97.864)</i>
<b>Result before taxes (A-B+-C+-D)</b>	<b>(1.524.319)</b>	<b>886.907</b>

	31/03/2022	31/03/2021
<b>20) Current, deferred and advanced income taxes for the period</b>		
Income taxes for the period	51.663	84.202
Income taxes for the prior years		-
Deferred and advanced taxation	(341.442)	(84.094)
<i>Total current, deferred and advanced income taxes for the period</i>	<i>(289.779)</i>	<i>(108)</i>
<b>21) Net income (loss) for the year</b>	<b>(1.234.540)</b>	<b>886.799</b>

## Supplementary Notes to Financials Statements closed at 31/03/2021

### Supplementary Notes Initial session

Dear Shareholders, these supplementary Notes are an integral part of the financial statements at 31/03/2022.

The criteria used in the preparation of the financial statements for the period ended March 31, 2022 comply with the provisions of article 2426 of the civil code as amended by Legislative decree 139/15 through which the 2013/34 / EU directive was implemented, and have not been modified compared to the previous year.

The financial statements comply with the provisions of articles 2423 and following of the civil code interpreted and supplemented by the national accounting principles as published by the Italian Accounting Organization ("OIC Accounting Standards") and consist of the following documents: Balance Sheet, Income Statement, Cash Flow and Supplementary Notes. They therefore clearly, truthfully and correctly describe the company's balance sheet and financial position and the financial result for the year.

The contents of the balance sheet and income statement are those provided in Articles 2424 and 2425 of the Italian Civil Code, while the Cash flow statements have been prepared in accordance with art. 2425-ter.

The Cash Flow Statement presents the positive or negative variations in the cash flows that occurred during the year and was prepared applying the indirect method using the template provided by the OIC 10 Accounting Standard.

The Supplementary Notes, prepared pursuant to art. 2427 of the Italian Civil Code also contain all the information necessary to provide a correct interpretation of the statements.

Significant events occurred after the end of the financial year and the proposal to allocate the result for the year are shown in the related paragraphs in these Notes.

#### Drafting Information

#### Financial Statements Drafting

The information contained herein are presented in the order in which the related items are reported in the balance sheet and income statement.

With reference to what is stated in the introduction to these Notes, we certify that, pursuant to art. 2423, paragraph 3 of the Civil Code, the information required by specific provisions of the law are not sufficient to give a true and fair view of the company, additional information deemed necessary for the purpose are provided.

There were no exceptional circumstances that required the use of derogations under Article. 2423, paragraph 4 and article. 2423 paragraph 2 Civil Code.

The Financial Statements, as well as these notes, have been prepared in Euros in accordance with the Civil Code.

## **Financial Statements Drafting principles**

The evaluation of balance sheet items was made in accordance with the principle of prudence and with a view to the scope of the company. In accordance with national accounting standards and the Community arrangements, in the representation of the assets and liabilities items, it has been given prelevance at the substantive aspects over the formal ones.

In preparing the financial statements income and expense were recorded on an accrual basis, regardless of their actual cash flow.

## **Main management events**

The year ended 31/03/2022 saw an increase in turnover of 18%. The growth was driven by the hospital market, which achieved an increment of the turnover of € 8.3 million (+ 41%), for which € 4.6 million was represented by the increase in sales of Odomzo® and 3.7 million by the sales of generic drugs. The retail channel, on the other hand, saw a decrease of 15%.

During the year, the Company decided to reorganize its strategic approach and its presence in the "retail" sector; on February 7, 2022, the Board of Directors approved the cessation of retail sales at pharmacies.

## **Structure and contents of the Financial Statements**

The Balance Sheet, the Income Statement and the accounting information contained in these notes are in accordance with the accounting records, from which they have been directly derived.

In drafting the balance sheet and income statement, no items preceded by Arabic numbers or by lower-case letters have been grouped together, as optionally provided by art. 2423 ter of the Civil Code.

Under Article. 2424 of the Civil Code it is confirmed that there are no assets or liabilities that fall under several items of the draft Financial Statements.

## **Evaluation Criteria**

The criteria applied to evaluate the items posted and the value adjustmens complies with the provisions of the Civil Code and the guidance provided in the accounting standards issued by OIC. The same also has not varied compared to the previous year.

The most significant valuation criteria adopted in compliance with the provisions of article 2426 of the Civil Code are illustrated below, and with particular reference to those items of the financial statements for which the legislator allows different evaluation and adjustment criteria or for which no specific criterias are set.

## Other Information

### **Translation criteria for values expressed in foreign currency**

The accounting amounts expressed in foreign currencies have been posted, after conversion into euros at the rate of exchange ruling at the time of recognition, or the exchange rate at the close of the financial year as shown in the accounting standard OIC 26.

The assets and liabilities that are not fixed assets are stated at the spot exchange rate at the date of the closing of balance sheet. Gains and losses which are derived from the conversion have been credited and debited to the income statement under item 17 bis foreign exchange gains and losses.

There are no intangible assets in foreign currency to the balance sheet date.

Between the end of the year and the date of preparation of financial statements there were no significant effects of changes in exchange rates.

### **Operations with compulsory relegation to end**

The company during the year has not placed any operation under an obligation to relegation to the end.

## **Supplementary Notes - Assets**

The amounts recorded in the balance sheet were evaluated in accordance with Article 2426 of the Civil Code and in accordance with national accounting standards; in the sections related to the individual items the specific criteria applied are shown.

### **Fixed Assets**

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Fixed assets are recorded at their purchase cost.

Pursuant to and for the purposes of article 10 of the law March 19, 1983, and No. 72, and as also recalled by the subsequent laws ruling monetary valuation, it should be noted that for the tangible and intangible assets that still exist no monetary revaluation has ever been carried out.

### **Intangible fixed assets**

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Intangible assets are recorded in the balance sheet, upon the prior consent of the Statutory Board of Auditors where required, at their cost of acquisition and they are depreciated on a straight-line basis according to their useful life.

The value of fixed assets is represented net of accumulated amortization and depreciation funds.

Depreciation was operated in accordance with the following pre-established scheme, which is thought to properly allocate the cost incurred over the useful life of such assets:



<b>Intangible fixed assets items</b>	<b>Period</b>
Start-up and expansion costs	{20,00}%
Concessions, licenses and trademarks (software)	{33,33}%
Concessions, licenses and trademarks (marketing authorisations, "AIC")	{20,00}%
Concessions, licenses and trademarks (trademarks)	{5,56}%
Other fixed assets (improvement of third parties' assets)	{16,67}% Based on duration of rental agreement

The criteria for the amortization of intangible assets remained unchanged compared to the previous year.

### Movements of intangible fixed assets

Intangible assets amount of € 3.193: they refer to licenses (marketing authorizations) purchased from third parties outside the group and fully depreciated, software and maintenance costs on third-party assets related to the restructuring of the new offices carried out in 2016.

The total impact on the income statement at 31/03/2022 of depreciation of intangible assets summed up to € 15.894.

For a complete evaluation and analysis on movements of such assets, please refer to the information detailed in the annexes to these notes.

### Movements of Intangible Assets

Description	Detail	Historical cost	Beginning balance	Movements	Description	Detail	Historical cost	Beginning balance
<i>Start-up costs</i>								
	Corporate Expenses	<b>8.467</b>						<b>8.467</b>
	Provision for Depreciation of corporate Expenses		8.467-					8.467-
<i>R&amp;D and advertising Costs</i>								
	Advertising Costs	<b>40.109</b>						<b>40.109</b>
	Provision for depreciation of advertising costs		40.109-					40.109-
<i>Patents and copyrights</i>								

Description	Detail	Historical cost	Beginning balance	Movements	Description	Detail	Historical cost	Beginning balance
	Capitalized own software	<b>113.555</b>						<b>113.555</b>
	Provision for capitalized own software		111.914-				1.626-	113.540-
Concessions, licences, trademarks and similar rights and assets								
	Marketing Authorisation acquired	<b>3.663.676</b>						<b>3.663.676</b>
	Concessions and licences	<b>6.006</b>						<b>6.006</b>
	Provision for Marketing Authorisation acquired		3.663.676-					3.663.676-
	Provision for Concessions and licences		2.494-				334-	2.828-
Other intangible Assets								
	Depreciated maintenance expenses	<b>92.743</b>						<b>92.743</b>
	Provision for Depreciated maintenance expenses		78.809-				13.934-	92.743-

## Tangible fixed assets

The assets belonging to the category of tangible assets are recorded at acquisition cost, increased by accessories costs incurred to bring the asset to use.

The criteria for the depreciation of fixed assets have not changed with respect to those applied the previous year.

It should be noted that it was not necessary to operate any depreciation under art. 2426, paragraph 1 no. 3 of the Civil Code.

### Movements of tangible fixed assets

Tangible assets before accumulated depreciation summed up to € 219.863; the accumulated depreciation is equal to € 198.372.

The impact to the income statement as at 31/03/2022 for the amortization of tangible fixed assets was € 8.700.

The table below shows the movements of such assets.

### Movements of Tangible Assets

Description	Detail	Historical cost	Beginning balance	Movements	Description	Detail	Historical cost	Beginning balance
<i>Other tangible assets</i>								
	Furniture and fitting	71.045						71.045
	Electronic office machinery	131.046				2.393		133.439
	Mobile telephones	15.379						15.379
	Provision for depreciation of furniture and fitting		67.922-				930-	68.852-
	Provision for depreciation of electronic Office machinery		112.309-				5.643-	117.952-
	Provision for depreciation of mobile telephone		9.441-				2.126-	11.567-

#### *Other tangible assets*

The acquisitions and dismissals above reported are detailed here below:

	Acquisitions	Dismissals	Total Acquisitions/Dismissals
Electronic office machinery	2.393		2.393

#### *Electronic office machinery*

The acquisition of € 2.393 refers to the purchase of personal computers.

### Operations of finance lease

Information on operations of finance lease

The company, at the date of year end closure, has no on-going finance lease contract.

## Current Assets

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Current assets are evaluated in accordance with the numbers 8 to 11 of Article 2426 of the Civil Code. The criteria used are listed in the paragraphs of the respective items.

### Stock

Stocks refer to finished goods. These have been posted at the lowest value between the purchase cost and the fair value as it can be inferred from market trends.

The purchase cost includes the possible additional direct charges.

The cost of inventories of finished products, of a fungible nature, was calculated by taking the weighted average cost method, in order to reflect the trend in market prices, considering the most recent stock costs.

The value so calculated has been duly compared with the fair value that can be inferred from the market trend, as explicitly required by art. 2426 of the Civil Code.

The depreciation of obsolete and slow moving items is carried out, in accordance with accounting standard OIC 13 creating depreciation funds. The depreciation provision is deducted from assets.

#### Analysis of stock movements

	Initial Value	Change in figures	Final value
Finished products	7.683.559	830.109	8.513.668
<i>Total</i>	<i>7.683.559</i>	<i>830.109</i>	<i>8.513.668</i>

The finished products are stated net of provision for depreciation, which had moved during the year as follows:

Description	Total
Balance at 31/03/2020	2.014.542
Use during the year	(976.384)
Provision for the year	637.669
<b>Balance at 31/03/2021</b>	<b>1.675.827</b>

#### Finished products

The cost of inventories of finished products and fungible goods was calculated using the weighted average cost method.

The value thus determined was appropriately compared with the realizable value inferable from the market trend, as explicitly required by art. 2426 of the Civil Code.

The stock rotation indexes remained almost unchanged compared to the previous year.

### Current asset: Receivables

Receivables are stated at estimated realizable value, in accordance with Art. 2426, n. 8 of Civil Code; the adjustment to this value was made by allocation of a provision for bad debts whose amount and whose movements are detailed following in these notes.

### Movements of receivables posted in current assets

The following table shows the information related to movements of receivables posted in current assets and, if material, the due date of the same.

#### *Analysis of movements and due date of receivables posted in current assets*

	Initial Value	Change in figures	Final value
Trade Receivables	11.232.393	335.008	11.567.401
Receivables from Parent Companies	833.978	(134.525)	699.453
Receivables from Companies controlled by Parent Companies	164.991	(164.991)	-
Tax credit	549.704	(415.214)	134.490
Advance income taxes	918.556	341.442	1.259.997
Accounts receivable from other undertakings	1.251.731	(211.862)	1,039,869
	<b>14.951.353</b>	<b>953.466</b>	<b>14.701.210</b>

### Comments

Accounts receivables increased by roughly € 0.3 M, mainly due to:

- Hospital receivables increased by € 2 M, mainly because of the increased sales volumes; the DSO (days of sales outstanding) has improved, going from 95 to 88 days.
- Retail receivables diminished by € 1,3 M, mainly because of both the decrease in turnover and also the better DSO of the pharmacy business which has decreased to 134 days compared to the 154 of the previous year) whilst a worsening DSO has occurred on the wholesalers sales (from 114 to 119 days) and concessionaires (from 129 to 168 days).
- B2B channel receivables diminished by roughly € 0,4 M, keeping the same DSO score.

Total DSO diminished from 110 days to 99, which represents the best value of the company

Credits are shown net of credit depretiation fund, which fluctuation is shown below and it has been adjusted in order to represent the most conservative scenario reagarding insolvency risk.

Description	Total
<b>Balance at 31/03/2022</b>	<b>1.324.686</b>
Use during the year	(326.396)
Provision for the year	220.245
<b>Balance at 31/03/2021</b>	<b>1.218.534</b>

The balance of credits towards parent companies is represented by invoices issued towards Sun Pharmaceutical Industries Limited, related to the recharge of penalties received from customers because of the missing delivery of the drugs supply of public tenders, and the recharge of expenses of the bunisess unit “brand”.

There are no “credits towards subsidiaries companies controlled by the parent companies”.

Tax credits at 31 March 2022 are composed by VAT credit (€ 104.471) together with the withholding taxes on interest income (€ 30.018).

The decrease compared to the value at 31 March 2021 is due to the VAT credit utilization, once obtained the complaince certificate, which compensated the other tax debts.

Other receivables mainly include pledge accounts of tenders € 768 thousand, suppliers and employees prepayments of € 217 thousand, a credit towards Inail of € 18 thousand and a deposit of € 37 thousand.

The variation of € 212 thousand is due to the reduction of the suppliers and employees prepayments.

To the aforementioned pledge accounts there are linked the bank guarantees issued by the banks towards the company, which are summarized in the supplementay note part related to the obligations that do not appear in the Balance Sheet.

There are no credits with a residual life longer than 5 years.

## Deferred tax assets

The receivables include deferred tax assets of € 1.259.997 whose recovery is expected with reasonable certainty against taxable income expected in the coming years in the business plan.

For the details of the movements, please refer to the paragraph on deferred taxation in these Explanatory Notes.

### Breakdown by geographical area of receivables included in current assets

The breakdown of receivables by geographical area is as follows:

	Italia	India	Irlanda	Francia	Total
Trade Receivables	11.558.804		6.647	1.950	11.567.401
Receivable from Parent Companies		699.453			699.453
Receivable from Companies controlled by Parent Companies					-
Tax Credits	134.490				134.490
Advanced taxes	1.259.997				1.259.997
Other Receivable	1.039.869				1.039.869
<b>Total</b>	<b>13.993.160</b>	<b>699.453</b>	<b>6.647</b>	<b>1.950</b>	<b>14.701.210</b>

## Current assets: cash and banks

Cash and banks are posted at their nominal value.

### Analysis of movements of cash and banks

	Initial value	Change in figures	Final value
Current bank accounts and post-office deposits	94.173	471.178	565.351
Cheques	-	-	-
Cash and cash equivalents	530	355	885
<b>Total</b>	<b>94.703</b>	<b>471.533</b>	<b>566.237</b>

## Effects of changes in money and values in cash

Description	Initial value	Value at the date of preparation of financial statements	Change in figures
Checks	0	0	0
Euro	357	357	0
Stamps	528	528	0
<b>Total</b>	<b>885</b>	<b>885</b>	<b>0</b>

### Comment

Evolution of cash and banks is described in the cash flow statement.

### Prepayments and accrued income

Prepayments and accrued income have been posted in the Financial statements on an accrual basis, through repartition of costs and revenues across two fiscal years.

#### Analysis of movements of prepayments and accrued income

	Beginning balance	Change in figures	Closing Balance
Prepaid expenses	52.556	101.706	154.261
<b>Total prepayments and accrued income</b>	<b>52.556</b>	<b>101.706</b>	<b>154.261</b>

Prepayments consist mainly in long-term costs related to bank guarantees issued to participate in hospital tenders, membership fees paid but related to future periods and rents paid but of future competence.

### Capitalised financial charges

All interest and financial charges were entirely posted in the Income Statement during the Fiscal Year. Therefore, no capitalised financial charges are posted pursuant to art. 2427, par. 1, n. 8 of the Italian Civil Code.

## Supplementary Notes – Liabilities and Net Equity

The liability items in the balance sheet have been recorded in accordance with the provisions of Article 2426 of the Civil Code and in compliance with national accounting principles, the specific application criteria are indicated in the sections relating to the individual items.



## Net Equity

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Items are recorded at their accounting balance in accordance with the instructions contained in the accounting standard OIC 28.

### Movements of components of net equity

With reference to the closure changes in the individual components of shareholders' equity are shown in the table below, as well as the breakdown of other reserves, if any in the Statements.

### Analysis of changes of components of net equity

	Beginning balance	Allocation	Others change in figures - increases	Others change in figures - decreases	results for the year	Beginning balance
Share capital	50.000					50.000
Legal Reserve	16.548					16.548
Other Reserves	1.689					1.689
Total Other Reserves	1.689					1.689
Income (losses) carried forward	314.409	886.799				1.201.208
Profit of the FY	886.799	(886.799)			(1.234.540)	(1.234.540)

During the year, there were no particular changes in shareholders' equity, with the exception of the allocation of the operating income of the previous year resolved with the minutes of the Shareholders' Meeting of April 30, 2021.

Article 3, paragraph 1-ter of the LD 30 December 2021 number 228, converted with amendments of the law 25 February 2022, number 15, amends the article 6 paragraph 1 of the liquidity decree. More precisely, the text of the 31 December 2020 is amended with the text of the 31 December 2021.

Following this amendment, the paragraph 1 of article 6 implies that the losses carried out in the current fiscal year at the date of 31 December 2021, are not applicable to the articles 2446 second and third paragraph, 2447, 2482-bis fourth, fifth and sixth paragraph and 2482-ter of the Civil Code. Particularly, the due date by which the loss results diminished to less than a third is postponed to the fifth following fiscal year.

For this reason, in the eventualities forecasted in the articles 2447 e 2482-ter, the assembly can, alternatively to the immediate capital reduction and the contemporary capital increase by an amount not lower than the legal minimum, decide to defer the loss coverage to the closing of the fifth following fiscal year.

The statutory rules referring to the replenishment terms of the losses carried out in the fiscal year closing 31 March 2021 allows the "sterilization" of these losses until the 31 March 2027 balance approval.

The company, just like in the previous fiscal years, has obtained from the Shareholder, an irrevocable written commitment to support Sun Pharma Italia srl both financially and patrimonially, in the case it is needed.

## Movements of Net Equity

Description	Share capital	Legal Reserve	Income (losses) carried forward	Other Reserves	Result for the year	Description
Value at 31/03/19	50.000			1.689	126.855	178.544
Allocation result 31/03/19		6.343	120.512		126.855-	
Dividend payments						
Other destinations						
Change in figures						
Result for the year					204.102	204.102
Value at 31/03/20	50.000	6.343	120.512	1.689	204.102	382.646

Description	Share capital	Legal Reserve	Income (losses) carried forward	Other Reserves	Result for the year	Description
Value at 31/03/20	50.000	6.343	120.512	1.689	204.102	382.646
Allocation result 31/03/20		10.205	193.897		204.102-	

<b>Dividend payments</b>						
<b>Other destinations</b>						
<b>Change in figures</b>						
<b>Result for the year</b>					<b>886.799</b>	<b>886.799</b>
<b>Value at 31/03/21</b>	<b>50.000</b>	<b>16.548</b>	<b>314.409</b>	<b>1.689</b>	<b>886.799</b>	<b>1.269.445</b>

Description	Share capital	Legal Reserve	Income (losses) carried forward	Other Reserves	Result for the year	Description
Value at 31/03/21	50.000	16.548	314.409	1.689	886.799	1.269.445
Allocation result at 31/03/21			886.799		886.799-	
<b>Dividend payments</b>						
<b>Other destinations</b>						
<b>Change in figures</b>						
<b>Result for the year</b>					<b>(1.234.540)</b>	<b>(1.234.540)</b>
<b>Value at 31/03/22</b>	<b>50.000</b>	<b>16.548</b>	<b>1.201.208</b>	<b>1.689</b>	<b>(1.234.540)</b>	<b>34.905</b>

To be noted that all the subscribed shares have been fully paid.

### Availability and use of net equity

In the following table net equity elements are analytically shown, indicating their origin, possibility of use and distribution, as well as their use in previous years.

Description	Amount	Origin/type	Possibility of using
Share capital	50.000	Capitale	
Legal Reserve	16.548	Capitale	B
Other Reserves	1.689	Capitale	B
<b>Total Other Reserves</b>	<b>1.689</b>	<b>Capitale</b>	<b>B</b>
<b>Income (losses) carried forward</b>	<b>1.201.208</b>		<b>B</b>

Description	Amount	Origin/type	Possibility of using
<b>Total</b>	<b>1.269.445</b>		
<b>Quote not distributable</b>	68.237		
<b>Residual distributable</b>	<b>1.201.208</b>		

In the table above for each item the possibilities of use are provided as indicated below:

- A: for capital increase
- B: to cover losses
- C: for distribution to shareholders.

## Provisions for liabilities and charges

Information on provisions for liabilities and charges

### Analysis of changes in provisions for risks and charges

	Beginning balance	Increase	Decrease	Net Variations	Closing Balance
<b>Provision for pensions and</b>	65.310	454.321	(8.141)	446.179	511.490
<b>Similar obligations</b>	300.917	3.824.177	(2.744.177)	1.080.000	1.380.917
<b>Others</b>	366.227	4.278.498	(2.752.318)	1.526.179	1.892.406

The fund for retirement benefits and similar obligations, which includes the FIRR and FISC funds, has been adjusted in consideration of the composition of the agents for which these funds are set up.

The "other" item, includes:

- The risk fund for hospital clawback for the year 2021 and the first quarter of 2022, is equal to 1,130,000. During the year, the hospital clawback procedure for the years 2019 and 2020 was closed, for which a total payment of € 2,528,600 was made.

- The provision for returns for a total of € 250,917 is consistent with the historical trend of credit notes issued for returns.

## Employees leaving indemnity

Information on employee leaving indemnity

Employees leaving indemnity has been calculated in accordance with art. 2120 of the Italian Civil Code, taking into account the provisions of the law and the specifics of the contracts and the professional categories and it includes all the annual accruals and the revaluations calculated on the basis of the ISTAT (Central Statistics Institute) rates.

The amount of the provision is calculated net of advance payments and accruals paid for the termination of employment contracts during the Financial Year and it represents the true amount owed to subordinate employees at the balance sheet date.

	Beginning balance	Increase	Decrease	Quotes to Funds	Net movements	Closing Balance
<b>Provision for subordinates employees leaving indemnity</b>	366.221	208.168	(51.695)	(127.695)	28.777	394.999

The uses refer to the total liquidations of the fund following the termination of the relationship with the employees (€ 45 thousand) and to an advance paid during the year (€ 6,6 thousand).

## Payable

Payables are shown in the financial statements at their nominal value, eventually adjusted in case of subsequent variations.

### Payable movements and due date

The following table shows the information related to changes in the payables and any information related to the due date of the same.

There are included the debts towards the shareholder Basics GmbH for a loan of € 5.526.542 (including interest of € 26.542). Linked to an interest-bearing loan falling due within the following year.

All other payables are considered due within the next financial year.

### Analysis of variations and debt expiring

	Beginning balance	Increase/Decrease	Closing balance
<b>Amounts due to shareholders for loans</b>	4.200.920	(4.200.920)	-
<b>Amounts due to banks</b>	159.350	2.607.742	2.767.093
<b>Trade creditors</b>	4.890.533	(489.510)	4.401.024

	Beginning balance	Increase/Decrease	Closing balance
Amounts due to parent companies	5.497.519	458.870	5.956.390
Amounts due to companies under control of parent companies	5.072.959	951.684	6.024.643
Taxation	66.214	4.937	71.151
Social security	187.369	28.711	216.079
Other debts	745.794	1.455.203	2.200.996
<b>Total</b>	<b>20.820.659</b>	<b>816.717</b>	<b>21.637.376</b>

The variation in payables to shareholders for loans is due to the interests accrued during the year on the financed capital.

Debts towards banks represent the use of the overdraft credit line with the Deutsche Bank credit institution.

Debts towards the parent companies refer to trade payables to the indirect parent company Sun Pharma Ltd for the purchase of finished products as better illustrated in the Management Report.

Debts towards companies subject to the control of the parent companies mainly include the loan of € 5,500,000 (and interest of € 26.542) disbursed by the company of the Basics GmbH Group in execution of the contract signed on March 15, 2021, the payable for the mark-up of the costs of activity carried out by the Headquarters - Sun Pharmaceutical Industries (Europe) BV.

The item “other debts” at March 31, 2022 includes:

- Debts towards employees for approximately € 510 thousand, bonuses and rewards for about € 242 thousand, and the indemnities paid to employees subject to the collective dismissal procedure following the disposal of the Retail sector, equal to € 1,534,322.
- Payables for the payment of the 2.6% payback on retail products reimbursed by the National Health System for € 154 thousand.

### Breakdown of payables by geographic area

Below the breakdown of the debts by geographical area:

	I	NL	RO	DK	ES	HU	DE	US	FR	IN	Total
Amounts due to shareholders for loans											
Amounts due to banks	2.767.093										2.767.093
Trade creditors	3.389.534	254.066		2.900	672.085		82.439				4.401.024
Amounts due to parent companies										5.956.390	5.956.390

<b>Tax</b>		178.429	114.836			33.607	5.540.468	146.413	10.890		6.024.643
<b>Amounts due to companies under control of parent companies</b>	71.151										71.151
<b>Social security</b>	216.079										216.079
<b>Other debts</b>	2.200.996										2.200.996
<b>Total</b>	8.644.853	432.495	114.836	2.900	672.085	33.607	5.622.907	146.413	10.890	5.956.390	21.637.376

### Debts secured by mortgages on company assets

Pursuant to and by effect of art. 2427, c. 1 n. 6 of the Civil Code, it is stated that there are no social debts secured by any collateral.

### Loans made by company shareholders

As of March 31, 2022, the company has no shareholder loans, having proceeded, during this year, to the full repayment of the loan, both for the principal and for the interests. There are no payables with a residual duration of more than five years.

### Deferred income and accrued liabilities

Accruals and deferred income were calculated on an accrual basis, through repartition of costs and/or income common to two fiscal years

	Opening balance	Increase/Decrease	Closing balance
<b>Accrued liabilities</b>	6.505	(6.130)	375
<b>Total accrued expenses and deferred income</b>	<b>6.505</b>	<b>(6.130)</b>	<b>375</b>

## Commitments not disclosed in the balance sheet and memorandum accounts

Under Article 2427, paragraph I, paragraph 22-ter) of the Civil Code it is specified that the amount of guarantees issued by banking institutions and insurance companies towards the Company amounts to € 11.810.910.

It is specified that the guarantees have been given in order to allow the participation of the Company in hospital tenders.

## Supplementary Notes – Profit & Loss

Revenues, income, costs and charges are recognized in accordance with Article 2425-bis of the Civil Code.

### Production Value

#### Introduction

Revenues from product sales and income from services were recognized at the time of transfer of title which corresponded, respectively, with the criterion of delivery or shipment of the goods and their return. Revenues of a financial nature have instead been recognized on an accrual basis.

Revenues and income, costs and charges relating to currency transactions are calculated at the exchange rate on the date on which the relevant transaction is placed.

The value of production totalizing € 41.734.912, below it is shown a breakdown of revenues between sales, changes in inventories, other operating income and changes in absolute terms compared to the previous year.

Description	31/03/2021	Change in figures	31/03/2022
Sales	33.921.578	5.974.389	39.895.966
Changes in inventories of finished goods	1.303.431	(473.322)	830.109
Other operating income	1.126.629	(117.792)	1.008.837
<b>Total</b>	<b>36.351.638</b>	<b>5.383.274</b>	<b>41.734.912</b>



The positive change compared to the previous year's revenues is generated by the increase in sales of finished products; This growth was mainly driven by the hospital channel, which recorded an increase in turnover of € 3.8 million relating to the generic drugs, and of € 4.6 million relating to the Odomzo® brand product distributed exclusively to the hospitals.

The retail channel has decreased by € 1.8 million as already mentioned in this note. Lastly, the B2B channel, which represents € 0.54 M.

The item "other revenues and income" mainly includes the chargeback to the company of the group Sun Pharmaceutical Industries Limited of the expenses incurred for the new "brand" Business Unit, equal to approximately € 585 thousand, and the chargeback of approximately € 340 thousand, which are result to penalties charged by hospitals for failure of supplying drugs awarded by public tenders.

The residual amount refers to the re-invoicing of distribution fees for approximately € 34 thousand and other revenues, related to interests and legal costs of bad debt collection.

### Breakdown of sales and service revenues by business segment

Breakdown of sales and service revenues by business segment is not provided as the information is not significant.

### Production Costs

#### Comment

Costs and charges are allocated on an accrual basis, in compliance with the principle of correlation with revenues, and recorded in the respective items in accordance with the provisions of accounting standard OIC 12.

The costs for the acquisition of goods and services are recognized in the income statement net of adjustments for returns, discounts, allowances, and bonuses.

The costs of production amounted to a total of € 43,208,484. Below it is shown the composition and changes in absolute value compared to the previous year.

Description	31/03/2021	Change in figures	31/03/2022
Raw materials, subsidiary materials, consumables and goods for resale	20.674.602	2.062.024	22.736.625
Services	9.231.877	(57.184)	9.174.693
Rents and leases	329.042	60.604	389.646
Personnel costs	3.888.467	1.886.914	5.775.381
Depreciation and other amounts written off tangible and intangible fixed assets;	230.468	14.370	244.839
Risk provisions		1.130.000	1.130.000
Other provisions			
Other operating costs	1.012.411	2.744.889	3.757.300
<b>Totale</b>	<b>32.381.808</b>	<b>2.985.059</b>	<b>43.208.484</b>

The increase in the cost of goods sold is driven by the increase in sales recorded during the year; however, it is worth highlighting the decrease in the absolute incidence, which represents 55% of revenues compared to 57% last year.

The costs for services are substantially unchanged compared to the previous year and consequently, their incidence on total revenues has decreased.

As regards personnel costs, net of restructuring costs, the nature of which is illustrated in the Report on Operations, they are described in the following table:

€ Millions	31/03/2021	31/03/2022
<b>Personnel Expenses</b>	3,89	5,78
<b>Restructuring Costs</b>		1,53
<b>Personnel Expenses net of Restructuring Costs</b>	<b>3,89</b>	<b>4,25</b>

Personnel expenses increased by approximately € 0,4M, equal to 9%. This increase is explained, in addition to the salary increases granted and to the sales primes granted to the employees.

The variation in the item "Amortization and depreciation" is mainly composed by the increase in the provision for bad debts.

The provision for risks of € 1,130,000 represents the best estimate of the hospital clawback for the year 2021 and for the first quarter of 2022.

The change in the item "other management charges" is mainly represented by the hospital clawback for the year 2019 (€ 1.2 million) and 2020 (€ 1.3 million) paid during the year.

Furthermore the balance includes € 0.6M relating to a request for payment (injunction decree) made by a supplier in connection with the goods produced but rejected by the Company. This amount was paid following the judge's decision in favor of the supplier's request.

Finally, there are lower costs for penalties charged by hospitals for failure to supply drugs (€ 0.244M).

## **Financial income and expenses**

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Financial income and expenses are posted on an accrual basis in relation to the amount accrued in the year.

### **Composition of income from investments**

There are no income from investments as per art. 2425, n. 15 of the Civil Code.

### Allocation of interests and other financial costs by type of debt

The following table gives evidence of the interests and other financial expenses as per art. 2425, n. 17 of the Civil Code, with specific split between those concerned bonds, bank debt and other cases.

	To Parent Companies	To Companies controlled by Parent Companies	Others	Total
Interests and other financial charges	18.923	26.542	901	46.366

Interest expense mainly refers to interest accrued on the loan granted by Basic GmbH. The decrease compared to last year is linked to a lower use of the shareholder loan. The decrease compared to the previous year is linked to a reduced use of shareholder financing.

### Gains/losses on foreign exchange

Below the information regarding the gains or losses on exchange differences by distinguishing the component realized from valuations of assets and liabilities recorded in the balance sheet at year-end.

Description	Amount in statement	Evaluation component	Realized component
<i>Profit and loss on exchange</i>			
Profit on exchange	637	-	637
Loss on exchange	(5.100)	-	(5.100)
<b>Total</b>	<b>(4.464)</b>	<b>-</b>	<b>(4.464)</b>

### Income taxes for the year, current and deferred

#### Income taxes for the year, current and deferred

The company posted the provision for income taxes based on the application of the tax laws in force. The taxes for the year are represented by current taxes, as well as resulting from the tax return, deferred taxes and deferred tax assets relating to positive or negative income components, respectively subject to taxation or deduction in other years than those of recording in compliance to the Civil code.

Below, in detail, the information required by. 2427, paragraph 1, point 14, letter a) and b), namely:

- a) a description of the temporary differences that led to the recognition of deferred tax assets and liabilities, with specific indication of the rate applied, the changes compared to the previous year and the amounts credited or debited to the income statement or in equity; please note that there are no items excluded from

the calculation;

- b) the amount of deferred tax assets recognized in the balance sheet relating to losses occurring during this FY and the past Fys and the reasons for recording.

Below is the breakdown of the temporary differences that generated the deferred taxes.

### **DEFERRED TAX ASSETS**

		<b>FY 31/03/2022</b>	
		<b>Timing difference</b>	<b>Tax effect</b>
<b>IRES</b>	Bad debts	496.593	119.182
	Inventory write-down	1.675.826	402.198
	Returns to be received	250.918	60.220
	Bonus	310.830	74.599
	Restructuring cost	490.428	117.703
	Acc. Payback	1.130.000	271.200
	Foreign exchange losses	1.461	351
	Tax losses	597.964	143.511
<b>Total</b>		<b>4.954.020</b>	<b>1.188.964</b>
<b>IRAP</b>	Returns to be received	250.918	9.786
	Acc.to payback	1.080.000	42.120
	Restructuring Cost	490.429	19.127
	<b>Total</b>	<b>1.821.347</b>	<b>71.033</b>

**Total tax 1.259.997**

The accounting treatment of deferred taxes was made as set forth by Accounting Standard OIC 25 of the Board of Certified Chartered Accountants and Registered Auditors as it is reasonably certain to achieve taxable income over the future FYs and that said losses can be indefinitely carried forward.

### **Reconciliation between tax liability from the balance sheet and theoretical tax charge**

In compliance with the provisions of Accounting Standard n. 25 laid down by the National Association of Certified Chartered Accountants, we report here below the detail of the reconciliation between the statutory tax liability resulting from the Financial Statements and the theoretical tax burden.

### **IRES**

<b>Description</b>	<b>Amounts</b>
<b>Profit before tax</b>	<b>(1.524.319)</b>
<b>Tax (theoretical)</b>	<b>(365.837)</b>
<b>Permanent increase variances</b>	<b>278.898</b>
<b>Temporary increase variances</b>	<b>5.322.018</b>
<b>Total increase variances</b>	<b>5.600.916</b>
<b>Permanent decrease variances</b>	<b>182.563</b>
<b>Temporary decrease variances</b>	<b>4.797.050</b>
<b>Total decrease variances</b>	<b>4.979.612</b>
<b>Total variances</b>	<b>621.304</b>
<b>Tax loss use</b>	<b>0</b>
<b>Donations</b>	<b>0</b>
<b>ACE</b>	<b>0</b>
<b>Taxable Income</b>	<b>(903.015)</b>

<b>Current Tax IRES</b>	<b>0</b>

## IRAP

Description	Amounts
Difference between production value and production costs	(1.473.572)
Non deductible costs IRAP	5.307.678
<b>Taxable Income IRAP</b>	<b>3.834.106</b>
Theoretical Tax (rate 3,9%)	149.530
Permanent increase variances	7.009
Temporary increase variances	4.264.607
<b>Total increase variances</b>	<b>4.271.615</b>
Permanent decrease variances	4.086.845
Temporary decrease variances	2.694.178
<b>Total decrease variances</b>	<b>6.781.023</b>
<b>Total adjustments</b>	<b>(2.509.407)</b>
<b>Taxable Income</b>	<b><u>1.324.698</u></b>
<b>IRAP current Tax</b>	<b>51.663</b>

Also to be pointed out that:

- Deferred tax assets and liabilities were calculated on the basis of the average rates expected for the FY when temporary differences will be reversed;
- Deferred tax assets are recorded because it is reasonably certain that during the FY when the aforesaid temporary differences are reversed, the taxable income will not be lower than said losses;

## Supplementary Notes – Other Information

Here following other information required by articles 2427 and 2427 bis of Civil Code are reported.

### Employment Data

The chart below shows the average number of employees, grouped by category and calculated considering the daily average:

Category	Number
Managers	4
Executives	24
Office workers	13
<b>Total</b>	<b>41</b>

### Remuneration to Directors and Statutory Board of Auditors

No remunerations is provided to the Board of Directors.

Following the change of the company name, which took place on 6 October 2020, the company decided to renounce, starting from that date, the function of the board of statutory auditors.

### Remuneration to legal auditor of audit firm

The remuneration due to the Audit Firm (Crowe Bompany S.p.A.) is € 16.082.

### Categories of shares issued by the company

The number of company's shares is 50.000 and their nominal value is € 1 each.

There are no classes of shares other than ordinary. All shares are owned by the sole shareholder of the Company since its incorporation.

All subscribed shares have been fully paid.

### **Securities issued by the company**

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The company has not issued any securities or similar value falling within the provisions of art. 2427. 18 Civil Code.

### **Information on financial instruments issued by the company**

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The company has not issued other financial instruments referred to in n. 19 of the 1<sup>st</sup> paragraph of art. 2427 of the Civil Code.

### **Summary financial statements of the company exercising the management and coordination activity**

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Sun Pharmaceuticals Industries Limited is the company that now carries out the management and coordination activities with headquarters in Mumbai; as of the date of this Note, the latest available financial statements relate to the year ended March 31, 2021, which are reported below:



# Standalone Balance Sheet

as at March 31, 2021

Particulars	Notes	₹ in Million	
		As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3 (a) & 3 (b)	48,739.8	49,103.1
(b) Capital work-in-progress		4,428.5	3,843.5
(c) Goodwill	4	1,208.0	1,208.0
(d) Other Intangible assets	4	2,495.8	1,976.3
(e) Intangible assets under development		3,199.4	2,122.6
(f) Investments in the nature of equity in subsidiaries	5	169,581.1	169,581.1
(g) Financial assets			
(i) Investments	6	95.7	85.4
(ii) Loans	7	713.9	7.4
(iii) Other financial assets	8	749.0	849.3
(h) Deferred tax assets (Net)	9	13,374.5	11,397.1
(i) Income tax assets (Net)	10	20,826.3	20,780.2
(j) Other non-current assets	11	3,912.9	3,738.1
<b>Total non-current assets</b>		<b>269,324.9</b>	<b>264,692.1</b>
<b>(2) Current assets</b>			
(a) Inventories	12	31,657.2	26,336.7
(b) Financial assets			
(i) Investments	13	310.0	3,950.7
(ii) Trade receivables	14	63,706.2	61,681.3
(iii) Cash and cash equivalents	15	2,223.4	2,205.0
(iv) Bank balances other than (iii) above	16	99.2	4,342.8
(v) Loans	17	7,385.7	4,485.9
(vi) Other financial assets	18	7,571.1	7,584.2
(c) Other current assets	19	7,710.6	8,824.6
<b>Total current assets</b>		<b>120,663.4</b>	<b>119,411.2</b>
<b>TOTAL ASSETS</b>		<b>389,988.3</b>	<b>384,103.3</b>

# Standalone Balance Sheet

as at March 31, 2021

Particulars	Notes	₹ in Million	
		As at March 31, 2021	As at March 31, 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	20	2,399.3	2,399.3
(b) Other equity	21	248,002.3	241,562.9
<b>Total equity</b>		<b>250,401.6</b>	<b>243,962.2</b>
<b>Liabilities</b>			
<b>(1) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	22	48,335.6	12,566.9
(ii) Other financial liabilities	23	-	161.7
(b) Other non-current liabilities	24	1,607.2	1,455.5
(c) Provisions	25	6,208.4	13,919.6
<b>Total non-current liabilities</b>		<b>56,151.2</b>	<b>28,103.7</b>
<b>(2) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	26	16,519.8	44,882.7
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	45	852.0	461.8
(b) total outstanding dues of creditors other than micro and small enterprises		25,074.1	20,830.9
(iii) Other financial liabilities	27	24,184.7	28,445.4
(b) Other current liabilities	28	4,768.2	6,437.2
(c) Provisions	29	12,036.7	10,979.4
<b>Total current liabilities</b>		<b>83,435.5</b>	<b>112,037.4</b>
<b>Total liabilities</b>		<b>139,586.7</b>	<b>140,141.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>389,988.3</b>	<b>384,103.3</b>

# Standalone Balance Sheet

as at March 31, 2021

Particulars	Notes	₹ in Million	
		As at March 31, 2021	As at March 31, 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	20	2,399.3	2,399.3
(b) Other equity	21	248,002.3	241,562.9
<b>Total equity</b>		<b>250,401.6</b>	<b>243,962.2</b>
<b>Liabilities</b>			
<b>(1) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	22	48,335.6	12,566.9
(ii) Other financial liabilities	23	-	161.7
(b) Other non-current liabilities	24	1,607.2	1,455.5
(c) Provisions	25	6,208.4	13,919.6
<b>Total non-current liabilities</b>		<b>56,151.2</b>	<b>28,103.7</b>
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(i) Borrowings	26	16,519.8	44,882.7
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	45	852.0	461.8
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(iii) Other financial liabilities	27	24,184.7	28,445.4
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(c) Provisions	29	12,036.7	10,979.4
<b>Total current liabilities</b>		<b>83,435.5</b>	<b>112,037.4</b>
<b>Total liabilities</b>		<b>139,586.7</b>	<b>140,141.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>389,988.3</b>	<b>384,103.3</b>

## Standalone Statement of Profit and Loss

for the year ended March 31, 2021

Particulars	Notes	₹ in Million	
		Year ended March 31, 2021	Year ended March 31, 2020
(I) Revenue from operations	30	128,032.1	125,319.3
(II) Other income	31	1,502.2	15,109.2
<b>(III) Total income (I + II)</b>		<b>129,534.3</b>	<b>140,428.5</b>
<b>(IV) EXPENSES</b>			
Cost of materials consumed	32	38,091.1	32,017.1
Purchases of stock-in-trade		11,996.3	12,274.1
Changes in inventories of finished goods, stock-in-trade and work-in-progress	33	(2,148.4)	1,386.0
Employee benefits expense	34	17,984.5	17,027.7
Finance costs	35	2,569.8	4,080.1
Depreciation and amortisation expense	3 (a), 3 (b) & 4	5,868.1	5,615.6
Other expenses	36	32,599.8	35,140.8
Net loss on foreign currency transactions		148.8	357.1
<b>Total expenses (IV)</b>		<b>107,110.0</b>	<b>107,898.5</b>
<b>(V) PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (III - IV)</b>		<b>22,424.3</b>	<b>32,530.0</b>
(VI) Exceptional item	55 (2)	895.6	-
<b>(VII) PROFIT BEFORE TAX (V - VI)</b>		<b>21,528.7</b>	<b>32,530.0</b>
<b>(VIII) TAX EXPENSE / (CREDIT)</b>			
Current tax	38	2,449.1	3,864.6
Deferred tax	9 & 38	(2,317.4)	(3,446.0)
<b>Total tax expense / (credit) (VIII)</b>		<b>131.7</b>	<b>418.6</b>
<b>(IX) PROFIT FOR THE YEAR (VII - VIII)</b>		<b>21,397.0</b>	<b>32,111.4</b>
<b>(X) OTHER COMPREHENSIVE INCOME</b>			
<b>A) Items that will not be reclassified to the statement of profit or loss</b>			
a. Gain / (loss) on remeasurement of the defined benefit plans		(111.6)	(286.4)
Income tax on above		39.0	100.1
b. Gain / (loss) on equity instrument measured at fair value through other comprehensive income		8.6	(38.6)
Income tax on above		(3.0)	13.5
<b>Total - (A)</b>		<b>(67.0)</b>	<b>(211.4)</b>
<b>B) Items that may be reclassified to the statement of profit or loss</b>			
a. Effective portion of gain / (loss) on designated portion of hedging instruments in a cash flow hedge		1,075.5	(929.2)
Income tax on above		(375.8)	324.7
b. Gain / (loss) on debt instrument measured at fair value through other comprehensive income		0.5	12.1
Income tax on above		(0.2)	(4.2)
<b>Total - (B)</b>		<b>700.0</b>	<b>(596.6)</b>
<b>Total other comprehensive income (A+B) (X)</b>		<b>633.0</b>	<b>(808.0)</b>
<b>(XI) TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)</b>		<b>22,030.0</b>	<b>31,303.4</b>
<b>Earnings per equity share (face value per equity share - ₹1)</b>	46		
Basic (in ₹)		8.92	13.38
Diluted (in ₹)		8.92	13.38

### Cash Flow Statement

In accordance with the recommendation made by the OIC here below it is reported the cash flow statement in the “indirect scheme” format as per provisions of accounting OIC 10.

	Amount at 31.03.22	Amount at 31.03.21
<b>A. CASH FLOWS FROM OPERATING INCOME</b>		
Result for the year	- 1.234.540	886.906
Income tax	- 289.779	108
Interest expense (interest income )	46.366	100.504
( Dividends )	-	-
(Gains ) losses on disposal of assets	-	-
<i>1. Result for the year before income tax, interests, dividends and gain/losses on the sale</i>	<i>- 1.477.953</i>	<i>987.518</i>
Adjustments for non-cash items without impact in net working capital	-	-
Founds provisions	5.265.259	1.367.464
Depreciation of fixed assets	24.594	26.685
Devaluation of impairment losses	-	-
Other adjustments for non-cash items	-	-
<i>2. Cash flow before changes in net working capital</i>	<i>3.811.901</i>	<i>2.381.667</i>
Change in net working capital	-	-
Decrease (Increase ) in inventories	- 491.394	- 2.027.573
Decrease (Increase ) in trade receivables	- 228.856	499.841
Increase ( decrease) in trade payables	- 530.690	63.389
Decrease (Increase ) in accrued income and prepaid expenses	- 101.706	20.493
Increase ( decrease) in accrued expenses and deferred income	- 6.130	1.580
Other changes in net working capital	1.896.145	728.218
<i>3. Cash flow after changes in net working capital</i>	<i>4.349.270</i>	<i>1.667.614</i>
Other adjustments	-	-
Interest received ( paid )	- - 440.564	569.833
( Income taxes paid )	- 105.818	- 169.194
Dividends received	-	-
( Use of funds )	- 4.176.348	- 387.632

	Amount at 31.03.22	Amount at 31.03.21
<i>CASH FLOWS OPERATING INCOME(A)</i>	<b>- 373.460</b>	<b>540.954</b>
<b>B. CASH FLOWS GENERATED BY INVESTMENT ACTIVITY</b>	<b>-</b>	<b>-</b>
Tangible assets	-	-
( Investments )	- 2.393	- 13.559
Sale price of divestments	-	-
Intangible assets	-	-
( Investments )	-	-
Sale price of divestments	-	-
Financial fixed assets	-	-
( Investments )	-	-
Sale price of divestments	-	-
Financial assets other than fixed assets	-	-
( Investments )	-	-
Sale price of divestments	-	-
Acquisition or disposal of subsidiaries or branches of businesses, net of cash	-	-
<i>FLOW OF FINANCIAL ASSETS INVESTMENT(B)</i>	<b>- 2.393</b>	<b>- 13.558</b>
<b>C. CASH FLOWS GENERATED BY FINANCING ACTIVITY</b>	<b>-</b>	<b>-</b>
Third-party funding	-	-
Increase ( decrease) in accounts payable to banks	2.607.742	1.420.689
Turning funding	4.000.000	3.500.000
Repayment of loans	- 5.760.356	- 2.907.177
Equity	-	-
Capital increase in payment	-	-
Sale ( purchase) of treasury shares	-	-
Dividends ( and interim dividends ) paid	-	-
<i>CASH FLOWS OF ACTIVITY OF FINANCING(C)</i>	<b>847.386</b>	<b>- 827.866</b>
<b>Net increase (decrease) in cash</b>	<b>471.534</b>	<b>- 300.471</b>

	Amount at 31.03.22		Amount at 31.03.21
Cash on 01/04/2020	94.703		395.174
Cash on 31/03/2021	566.237		94.703
Change in net financial position	471.534	-	300.471
Unlike quadrature	-	0	-
			0

### **Assets allocated to a specific business**

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This is to certify that at the date of closure of financial statements there are no assets allocated to a specific transaction, as per n. 20 of the 1<sup>st</sup> paragraph of art. 2427 of the Civil Code.

### **Funding for a specific business**

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This is to certify that at the date of closure of financial statements there is no funding for a specific business, as per n. 21 of the 1<sup>st</sup> paragraph of art. 2427 of the Civil Code.

### **Information about the fair value of financial instruments**

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This is to certify that no derivatives financial contract was signed.

### **Related party transactions**

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All related party transactions were carried out at market conditions and the corresponding revenues and costs were in line with those that could have been realized with third parties.

Relations with subsidiaries, related, parent companies and controlled companies do not include atypical and / or unusual transactions and are governed by normal market conditions.

Please refer to the Management Report for details of credit and debit positions as well as revenues and costs arising from all related party transactions.

### **Events occurred after the closure of Fiscal Year.**

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According to the art. 2428 paragraph 3, point 5 of the Civil Code, there are no significant events to report.

To date, there are no particular critical issues in the ability to supply customers and honor deadlines, and there have been no worsening in the management of cash flow worthy of reporting.

## **Proposed allocation of profits or loss coverage**

Dear Shareholder,

in light of the above, and after notifying that the indications of the art. 2446 of the Civil Code are not applicable for the Company, the Board of Directors proposes to carry the loss forward, for the amount of € 1.234.540.

## **Notes – Final part**

Dear Shareholder,

We confirm that these Financial Statements, consisting of Balance Sheet, Income Statement and Notes to the Financial Statements, represent a true and fair view of the company's balance sheet and financial position and correspond to the accounting entries, and we invite you to approve the draft Financial Statements at 31/03/2021 as prepared by the Board of Directors

For the Board of Directors  
Hellen de Kloet