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BDO Ltd
Fabrikstrasse 50
8031 Zurich

To the General Meeting of

Wockhardt Bio LTD

Grafenauweg 6
6300 Zug

**Report of the Statutory Auditor
on the Financial Statements for the year 2016/17**

(for the year ended 31 March 2017)

31 May 2017
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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Wockhardt Bio LTD, Zug

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Wockhardt Bio LTD, which comprise the balance sheet as at 31 March 2017, and the income statement and notes for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2017 comply with Swiss law and the company's articles of incorporation.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Capitalisation of development costs

The company has external and internal development cost of CHF 41.3 million capitalised as intangible assets under development. The main part of it relates to five New Chemical Entities (NCE's), which received Qualified Infectious Disease Product (QIDP) status from the US Food and Drug Administration (US FDA), in various stages of development.

There is an inherent level of uncertainty with respect to the recoverability of such capitalised costs, until the new drug discovery programmes are successfully completed.

Due to the size of capitalized development costs and the level of uncertainty involved making management's assessment highly judgmental; specifically regarding the expected future sales we consider this to be a key audit matter.

We refer to note 3 to the financial statements for further information on the capitalisation of development costs.

We tested whether the capitalised costs met all the criteria for capitalization set out in accounting standards. Therefore, we reconciled on a sample basis the additional capitalised costs for the period to the underlying invoices and supporting documents. We tested the exchange differences for reasonableness. We challenged management's assessment of the future sales related to the NCE's to assess the reasonableness of management's estimation of recoverability of the capitalised costs.

Furthermore, we have assessed the adequacy of the disclosures relating to capitalisation of development costs in the notes.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 31 May 2017

BDO Ltd



René Füglistner

Auditor in Charge

Licensed Audit Expert



Christoph Schmidt

Licensed Audit Expert

Enclosures

Financial statements

Proposed appropriation of available earnings

Balance Sheet as per March 31,	2017	2016
	CHF	CHF
Current assets		
Cash and bank balances	17'721'182	37'592'421
Short term assets with market value	86'721'896	0
Short term deposits with banks	75'408'603	0
Prepayments - third parties	7'707'196	1'158'490
Advances - shareholders	113'776'942	141'206'767
Advances - subsidiaries	11'538'267	10'105'832
Accounts receivable - third parties	7'447'057	12'095'788
Accounts receivable - shareholders	18'486	436'308
Accounts receivable - subsidiaries	147'736'679	122'302'601
Other receivables	141'294	91'991
Inventories	6'113'397	6'584'934
Total current assets	474'330'999	331'575'132
Fixed assets		
Investments	143'710'505	146'374'316
	143'710'505	146'374'316
Tangible assets	100'879	90'699
Accumulated depreciation	-81'970	-63'699
Tangible assets net	18'909	27'000
Capitalized Work in Progress	14'614'830	2'521'882
Licences and trade marks	49'266'518	46'905'540
Accumulated amortisation	-31'684'680	-26'264'679
Licences and trade marks net	17'581'838	20'640'861
Intangible assets under development	41'290'265	17'206'091
Total fixed assets	217'216'347	186'770'150
Total assets	691'547'346	518'345'282
Liabilities		
Accounts payable - third parties	10'894'069	13'459'787
Accounts payable - shareholders	9'340'812	15'969'421
Accounts payable - subsidiaries	42'801'608	40'409'257
Advances from customers	356'399	481'808
Payable VAT	167'783	286'010
Loan - third party - interest bearing	0	9'002'848
Loans - group companies	1'184'697	1'313'604
Accrued expenses	53'560'705	37'960'167
Accrued taxes	178'464	70'082
Total short term liabilities	118'484'537	118'952'984
Loan - third party - interest bearing	250'150'379	0
Total long term liabilities	250'150'379	0
Total liabilities	368'634'917	118'952'984
Share capital	51'948'000	51'948'000
Statutory capital reserves		
Capital contribution reserve	1'696'502	23'514'662
Other capital reserves	1'691'757	1'691'757
	3'388'259	25'206'419
Statutory retained earnings		
General reserves	23'474'000	23'474'000
Profit carried forward	291'491'160	318'105'335
Profit/(loss) of the year	-47'388'990	-19'341'454
Retained earnings	244'102'170	298'763'880
Total shareholder's equity	322'912'429	399'392'299
Total liabilities and shareholder's equity	691'547'346	518'345'282

Income statement	2016/17	2015/16
	CHF	CHF
Revenues		
Sales export	222'254'740	246'515'917
Fee for service/royalty paid	-1'102'593	-951'695
Bad debts	-14'085'109	-2'146'410
Total revenues	207'067'038	243'417'812
Operating expenses		
Cost of goods, materials and freight sold	173'213'540	169'525'579
Selling and distribution expenses	2'292'382	3'876'402
Export costs	195'664	139'353
Employee costs	7'436'407	5'048'656
Repairs and maintenance	5'770	1'905
Insurance	681'151	784'693
Research and development costs	35'477'420	54'909'636
Legal and consultancy costs	21'783'455	14'221'938
Trade mark costs	146'391	290'912
Management fees	396'131	402'820
Travel expenses	233'984	262'960
Impaired Investments	2'702'421	0
Other operating expenses	7'323'698	10'099'600
Depreciation	4'291'786	4'152'777
Total operating expenses	256'180'200	263'717'231
Net profit/(loss) from operations	-49'113'162	-20'299'419
Financial income/expenses		
<i>Financial income</i>		
Interest income - third party	592'024	21'771
Interest income - intercompany	143'909	107'345
Exchange gains	657'735	0
Gain on investments	6'313'955	88'918
Total financial income	7'707'623	218'034
<i>Financial expenses</i>		
Interest charges - third party	6'515'998	1'141'111
Interest and guarantee charges - intercompany	1'598'335	316'381
Bank charges	554'535	302'300
Exchange losses	1'608'669	770'436
Total financial expenses	10'277'537	2'530'228
Total financial result	-2'569'915	-2'312'194
Net Profit/(loss) for the year before extraordinary items and tax	-51'683'077	-22'611'612
Extraordinary income	3'979'762	0
Net Profit/(loss) before tax	-47'703'315	-22'611'612
Direct taxes	314'325	3'270'158
Profit/(loss) of the year	-47'388'990	-19'341'454

1 General Information

These financial statements of Wockhardt Bio AG, Grafenauweg 6, CH-6300 Zug were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

2 Functional currency

Wockhardt Bio AG accounting currency is USD. The Income Statement has been translated into CHF at the annual average rate. The Balance Sheet has been translated into CHF at year end rate with the exception of investments and shareholders' equity, which are translated at historical rates. Currency conversion differences resulting from the translation of the financial statements are recognized in the income statement (loss) or are deferred (gain). Accordingly in the current year currency conversion gain of CHF 35.72 Mn (Prior year CHF 26.18 Mn) has been considered under the position Accrued Expenses in the Balance Sheet.

Company used the following exchange rates for translating financials in CHF from USD

Average rate - CHF/USD : 1.01

Closing rate - CHF/USD : 0.99

3 Development Expenses on QIDP status products

The Company's New Chemical Entity ('NCE') research and development programme continued to get major boost during the Financial Year 2016-17 with the US Food and Drugs Administration ('US FDA') granting abridged clinical trial for Phase III for Wockhardt's Superdrug antibiotic WCK 5222. Till previous year 2015-16, the Company had received Qualified Infectious Disease Product (QIDP) status by US FDA for five of its breakthrough drug discovery programme in anti-infective. The Development Expenses for the year amounting to USD 19.83 Mn (CHF 19.84 Mn) prior year USD 13.4 Mn (CHF 13.07 Mn) pertaining to Company's five new breakthrough drug discovery programme in the anti-infective space duly approved under QIDP by US FDA has been capitalised during the year and included under 'Intangible Assets under Development' as at March 31, 2017.

4 Research and development (R&D)

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or us.

Some examples of development expenses capitalised: Registration of the product fee, bio studies legal charges & related clinical trials.

Some examples of research expenses: stores & consumables, fuel & gas, calibration expenses for research & development activities, quality samples costs, etc.

5 Fixed assets, depreciation / amortization and impairment

Tangible assets:

Fixed assets are stated at cost less accumulated depreciation/amortization and impairment loss if any. The Company capitalizes all costs relating to the acquisition and installation of fixed assets.

The carrying amounts of fixed assets and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount.

Intangible assets:

Intangible assets are amortized over a period of 3 - 15 years, which are based on their useful lives.

The intellectual property rights, brands and product licenses are generally depreciated over a period of 10 years; however wherever the useful life is less than 10 years the depreciation period is reduced accordingly.

Notes to the financial statements for the year ended March 31,

2017

2016

CHF

CHF

6 Inventories

All inventories are valued at moving weighted average price other than finished goods, which are valued on quarterly moving average price. Finished goods and work in progress is computed based on respective moving weighted average price of procured materials and appropriate share of labour and other manufacturing overheads.

Inventories are valued at cost or net realizable value, whichever is lower. Cost also includes all charges incurred for bringing the inventories to their present location and condition. Duties accrued on production or import of goods, as applicable, is included in the valuation of finished goods.

Inventories of stores and spare parts are valued at cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

7 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with dispatch of goods to customers. Revenues are recorded at invoice value, net of value added tax (VAT)/duties, returns and trade discounts.

Sale of services

Revenues from services are recognized on completion of rendering of services.

Royalties

Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Interest

Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

8 Leases**Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the lease term are classified as operating lease. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Finance lease

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases and hire purchase contracts. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

9 Head Count

The number of full time positions in the company on an annual average has been less than 50.

10 Investments

CP Pharma (Schweiz) AG Incorporated in Switzerland 250 Registered shares of CHF 1'000.00 100% share in capital and voting rights	250'000	250'000
Wockhardt Bio (R) LLC. Incorporated in Russia on 25th August 2015 5'150'000 Registered shares of Russian Roubles 1.00 each 100% share in capital and voting rights	83'491	83'491
Wockhardt Farmaceutica SA DE CV Incorporated in Mexico 36'867'236 Ordinary shares of MXN 1.00 100% share in capital and voting rights	1	2'666'865
Wockhardt Services S.A. DE C.V. Incorporated in Mexico 50'000 Ordinary shares of MXN 1.00 100% share in capital and voting rights	1	3'668
Wockhardt France (Holding) S.A.S. Incorporated in France 601'000 Registered shares of EUR 100 100% share in capital and voting rights	1'836'445	1'836'445
Wockhardt Holding Corp. Incorporated in Delaware, USA 1'100 shares of Common Stock of USD 1.00 100% share in capital and voting rights	30'295'509	30'295'509

Notes to the financial statements for the year ended March 31,

	2017	2016
	CHF	CHF
Wockhardt UK Limited Incorporated in the United Kingdom 50'000 Ordinary shares of GBP 1.00 100% share in capital and voting rights	123'508	123'508
Pinewood Healthcare Limited Incorporated in the United Kingdom 100'000 Ordinary shares of GBP 1.00 100% share in capital and voting rights	146'101	146'838
CP Pharmaceuticals Limited Incorporated in the United Kingdom 1'862'549 Ordinary A shares of GBP 1.00 570'000 Ordinary shares of GBP 1.00 100% share in capital and voting rights	11'013'787 3'370'574	11'013'787 3'370'574
Wockpharma Ireland Limited Incorporated in the Republic of Ireland 10'001'000 Ordinary shares of EUR 1.00 50'000'000 Cumulative Redeemable Preference shares of EUR 1.00 each 100% share in capital and voting rights	16'098'630 80'485'000	16'098'630 80'485'000
Z & Z Service GmbH Incorporated in Germany Nominal capital EUR 25'000.00 100% share in capital and voting rights	1	1
Wockhardt Bio Pty. Ltd. Incorporated in Australia Nominal Capital AUD 10'000 100% share in capital and voting rights	7'459	0

Besides the above Wockhardt Bio Ltd. has been incorporated in New Zealand with an objective of trading, manufacturing, selling, marketing, R&D of Pharmaceutical products as 100% owned subsidiary on 11th November, 2015. Wockhardt Bio Ltd., New Zealand is yet to commence the business.

Further, investments in subsidiaries Wockhardt Farmaceutica SA DE CV and Wockhardt Services S.A. DE C.V. have been provided for in view of their consistent below par financial performance since their inception (Financial impact on Income Statement CHF 2,702,421). Also, inter-company Accounts Receivable as well as outstanding loan positions against these companies have been provided for which has resulted in to a net impact of CHF 14,085,109.

11 Assets pledged

As per financial year end there were open guarantees and bid-/performance bonds by Credit Suisse to third parties secured by a general deed of pledge in the amount of

321'623	871'313
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12 Loan

Wockhardt Bio AG has repaid an outstanding loan of USD 9.37 Mn (CHF 9.00 Mn) during the year. During the current Financial Year Wockhardt Bio AG has obtained a secured loan from of USD 250 Mn (CHF 250 Mn). The loan carries an interest rate of six months LIBOR plus a margin of 2.75% and is repayable in 8 equal half yearly installments. The repayment schedule of the said loan is going to commence from July 2018.

Loan availed by Wockhardt Bio AG of USD 250 million (March 31,2016 - USD Nil) is secured as under:

- First ranking charge on fixed assets (excluding Intangible assets) and current assets of Wockhardt Bio AG and its subsidiaries (except Wockpharma Ireland Ltd. and its Subsidiaries and Wockhardt France (Holdings) S.A.S. and its Subsidiaries).
- First ranking charge on fixed assets of Wockhardt Limited situated at Kadaiya in Daman and Baddi in Himachal Pradesh and on Fixed Deposits of INR 450 Mn (USD 6.94 Mn) in India.
- This term loan is also secured by Corporate Guarantee of USD 300 million from Wockhardt Limited.

13 Board of Directors and executive management shareholdings

As of 31 March members of the non-executive and executive boards held the following shares. No Wockhardt Bio AG share options were held.

		Shares	Shares
Ajay Sahni	Member of the Board and Managing Director	25'008	23'030
Dr. Habil F.Khorakiwala	Member of the Board and Chairman	5'000'000	5'000'000

14 Significant shareholders

Wockhardt Ltd, Mumbai	Number of shares	44'600'000	44'600'000
	Capital and vote share	86%	86%

15 Capitalisation of Borrowing Costs

Borrowing costs directly attributable to acquisition of qualifying assets have been capitalized. Borrowing costs amounting to USD 0.82 Mn (CHF 0.82 Mn) have been capitalized, of which USD 0.66 Mn (CHF 0.66 Mn) is included under 'Intangible assets under development' and USD 0.16 Mn (CHF 0.16 Mn) is included under 'Capitalized work in progress' as at March 31, 2017.

16 Capitalized Work in Progress

Capitalized Work in Progress essentially represent the expenses incurred on setting up a new Manufacturing facility for supply of pharmaceutical products to company's markets in US, Europe & Emerging Markets. The plant is expected to be operational in the FY 2020-21.

17 Subsequent events

No significant events occurred between balance sheet date and May 31, 2017, the date when the financial statements were signed off by the Board of Directors for publication.

Proposed appropriation of available earnings and capital contribution reserve	2017	2016
	CHF	CHF
Proposed appropriation of available earnings		
Profit carried forward	291'491'160	318'105'335
Profit / (Loss) of the year	-47'388'990	-19'341'454
Available earnings	244'102'170	298'763'880
The Board of Directors proposes to the shareholders at the Annual General Meeting, to carry forward retained earnings as shown in the table below.		
Dividend	-	7'272'720
Allocation to Legal reserves	-	-
Balance to be carried forward	244'102'170	291'491'160
Total	244'102'170	298'763'880
Proposed appropriation of capital contribution reserve		
Capital contribution reserve as of March 31,	1'696'502	23'514'662
The Board of Directors proposes to the Annual General Meeting to carry forward the capital contribution reserve as shown in the table below.		
Dividend payment out of capital contribution reserve	-	21'818'160
Balance to be carried forward	1'696'502	1'696'502
Total	1'696'502	23'514'662