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BDO Ltd
Schiffbaustrasse 2
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To the General Meeting of

Wockhardt Bio LTD

Grafenauweg 6
6300 Zug

Report of the Statutory Auditor on the Financial Statements for the year 2019/20

(for the year ended 31 March 2020)

22 May 2020
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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 2020, 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 2020 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 and Recoverability of development costs

The company has capitalised external and internal development costs of CHF 165.2 million as intangible assets under development. The main part of it relates to six 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.

Due to the material amount and the significant level of judgement and estimates involved by management in assessing recoverability of such capitalised costs, 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 the accounting standards. Therefore, we reconciled on a sample basis the additional capitalised costs for the period to the underlying invoices and supporting documents.

We gained an understanding of the status of the NCE development by review of correspondence with authorities (e.g. FDA) and other third parties, company releases to the market, scientific documentation and interview of management.

We challenged management's assessment of the future sales related to the NCE's and the recoverability of the capitalised costs. We further obtained from management an external valuation report and challenged underlying inputs and significant assumptions.

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

Recoverability of investments

The total carrying amount of investments amounts to CHF 143.7 million. Valuation is based on historical cost less any necessary adjustment for impairment.

The company prepared impairment tests for material investments in subsidiaries based on discounted cash flow calculations. This includes considerable estimates and judgment with respect to the assumptions about the future results of the business and the discount rate applied to future cash flows.

Due to materiality aspects and the high level of estimates and judgement involved in the impairment assessment performed by the management, we consider the valuation of investments a key audit matter.

We refer to note 9 to the financial statements for further information on the valuation of investments in subsidiaries.

We gained an understanding of how management assessed the need for any impairment adjustments.

We challenged management's assumptions of the future revenue, the long-term growth rates and the discount rate applied in their discounted cash-flow calculations.

In addition, we performed a retrospective comparison of current year budget versus actual performance.

We compared the amounts in the discounted cash flow calculation to the business plan and reviewed the arithmetic accuracy.

We compared the carrying amount of the investments to the recoverable amount, which is based on the discounted cash-flow calculations.

Furthermore, we have reviewed the adequacy of the disclosures relating to investments 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, 22 May 2020

BDO Ltd



René Füglistner

Auditor in Charge
Licensed Audit Expert



David Hämmerli

Licensed Audit Expert

Enclosures

Financial statements
Proposed appropriation of available earnings

Balance Sheet as per March 31,	2020	2019
	CHF	CHF
Current assets		
Cash and bank balances	1'858'678	18'792'976
Prepayments - third parties	2'773'550	4'887'046
Advances - shareholders	90'617'710	95'773'118
Advances - subsidiaries	45'929'452	36'036'850
Accounts receivable - third parties	6'453'558	12'809'866
Accounts receivable - shareholders	333'494	2'962'041
Accounts receivable - subsidiaries	231'860'475	192'777'645
Receivable VAT	0	708'239
Other receivables	370'565	728'102
Inventories	4'307'835	4'587'394
Total current assets	384'505'318	370'063'277
Fixed assets		
Investments - subsidiaries	143'710'505	143'710'505
	143'710'505	143'710'505
Tangible assets	133'055	132'567
Accumulated depreciation	-111'933	-105'687
Tangible assets net	21'122	26'880
Capitalized Work in Progress	34'118'648	33'555'435
Licences and trade marks	47'024'329	50'317'938
Accumulated amortisation	-39'676'718	-38'807'843
Licences and trade marks net	7'347'611	11'510'096
Intangible assets under development	165'208'218	145'154'498
Total fixed assets	350'406'105	333'957'414
Total assets	734'911'423	704'020'691
Liabilities		
Accounts payable - third parties	36'213'059	23'523'658
Accounts payable - shareholders	85'164'802	73'936'707
Accounts payable - subsidiaries	142'027'191	93'973'335
Advances from customers	663'411	704'832
Payable VAT	1'049'614	0
Loan - third party - interest bearing	60'340'423	62'256'668
Loans - group companies	7'538'871	1'197'153
Accrued expenses	9'524'030	51'868'137
Accrued taxes	78'775	60'163
Total short term liabilities	342'600'177	307'520'652
Loan - third party - interest bearing	60'340'423	124'513'335
Total long term liabilities	60'340'423	124'513'335
Total liabilities	402'940'600	432'033'987
Share capital	51'948'000	51'948'000
Statutory Capital Reserves		
Capital contribution reserve	1'696'502	1'696'502
Other Capital Reserves	1'691'757	1'691'757
	3'388'259	3'388'259
Statutory retained earnings		
General Reserves	23'474'000	23'474'000
Currency translation adjustments	28'376'001	0
Profit carried forward	193'176'446	226'110'014
Profit/(Loss) of the year	31'608'118	-32'933'569
Retained earnings	224'784'564	193'176'445
Total shareholder's equity	331'970'824	271'986'704
Total liabilities and shareholder's equity	734'911'423	704'020'691

Wockhardt Bio AG, Zug

Income statement	2019/20	2018/19
	CHF	CHF
Revenues		
Sales export	189'694'132	220'823'208
Fee for service/Royalty paid	-5'179'622	-1'756'911
Bad debts	-215'493	-457'502
Total revenues	184'299'016	218'608'795
Operating expenses		
Cost of goods, materials and freight sold	136'233'987	183'886'523
Selling and distribution expenses	4'343'304	4'894'895
Export costs	296'616	489'552
Employee costs	2'046'362	2'236'805
Repairs and maintenance	104	252
Insurance	557'585	519'706
Research and development costs	20'730'082	13'826'222
Legal and consultancy costs	-605'117	15'803'711
Trade mark costs	107'394	124'391
Management fees	548'929	783'889
Travel expenses	139'654	226'644
Other operating expenses	9'704'024	11'182'885
Depreciation	3'467'295	4'144'737
Total operating expenses	177'570'220	238'120'212
Net profit / (loss) from operations	6'728'797	-19'511'417
Financial Income/Expenses		
<i>Financial income</i>		
Interest income - third party	38'426	887'141
Interest income - subsidiaries	839'414	625'638
Dividend income-subsiidiaries	32'041'232	0
Exchange gains	172'342	143
Gain/(Loss) on short term assets with market value	0	-527'846
Total financial income	33'091'414	985'076
<i>Financial expenses</i>		
Interest charges - third party	5'636'418	9'130'328
Interest and guarantee charges - shareholders	1'476'875	2'068'343
Interest charges - group companies	85'526	0
Bank charges	622'756	473'389
Exchange losses	1'011'746	3'145'051
Total financial expenses	8'833'321	14'817'111
Total financial result	24'258'093	-13'832'035
Net Profit/(loss) for the year before extraordinary items and tax	30'986'890	-33'343'452
Profit from sale of assets	712'529	463'880
Net Profit/(loss) before tax	31'699'418	-32'879'572
Direct taxes	-91'300	-53'997
Profit/ (Loss) of the year	31'608'118	-32'933'569

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

2020	2019
CHF	CHF

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 Equity and are shown under the heading Currency translation adjustments. Until FY 2018/19 Currency conversion differences resulting from the translation of the financial statements were recognized in the income statement (loss) or were deferred (gain). Accordingly in the current year currency conversion gain of CHF 28.38 Mn has been presented under Equity under the heading Currency translation adjustments while prior year currency conversion gain of CHF 34.18 Mn was been considered under Accrued Expenses in the Balance Sheet.

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

Average rate - CHF/USD : 1.02

Closing rate - CHF/USD : 1.04

3 Development Expenses on QIDP status products

The Company's New chemical Entity ("NCE") clinical development programme continued to get a major boost during the Financial Year 2019-20 :

WCK 771/ 2349 : Received DCGI approval for manufacturing and marketing in India. Both the drugs have been approved for Acute Bacterial Skin and Skin Structure Infections (ABSSSI) including diabetic foot infections and concurrent bacteraemia.

WCK 4282 : Protocol for Global Phase III complicated urinary tract infection (cUTI) study has been discussed and approved by FDA and EMA. The study with approx. 1004 patients is estimated to commence by end 2020. It is expected to be completed by Q1 2023 and marketing application will be filed by Q2 2023.

WCK 4873 : Phase III study in community acquired bacterial pneumonia (CABP) in India and LATAM is planned to be started in second half of 2021. Study is expected to be completed by Q1 2022 and marketing application will be filed in Q2 2022.

WCK 5222 : Global Phase III study in complicated urinary tract infection (cUTI) in approx. 504 patients has been discussed and approved by FDA and EMA. The study is expected to start by end 2020 and get completed by Q2 2022 and marketing application will be filed in Q3 2022.

WCK 6777 : US IND (IND No. 136940) for WCK 6777 is approved. Phase 1 SAD study is estimated to start in the second half of 2021 and this along with MAD study could take 11-12 months for the completion. In the second half of 2021, we would apply to US FDA for Phase 2 study waiver. FDA's agreement on this could lead to start of WCK 6777 Phase 3 study in 1H 2022.

The clinical development expenses for the year amounting to USD 18.24 Mn (CHF 17.97 Mn) prior year USD 24.05 Mn (CHF 23.79 Mn) pertaining to Company's NCE, and the amount has been capitalised during the year and included under 'Intangible

4 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,	2020	2019
	CHF	CHF
5 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.		
6 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		
Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.		
7 Lease Obligations		
Residual amount of leasing obligations		
The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follows:		
Upto 1 year	333'547	350'031
1-5 years	1'334'190	1'235'523
More than 5 years*	1'667'737	1'544'404
Total Lease obligations	3'335'474	3'129'957
*Restricting the cancellable lease obligations until 2030		
8 Head Count		
The number of full time positions in the company on an annual average has been less than 50 (Previous year less than 50)		
9 Investments		
Valuation is based on historical cost less any necessary adjustment for impairment		
CP Pharma (Schweiz) AG		
Incorporated in Switzerland		
250 Registered shares of CHF 1'000.00	250'000	250'000
100% share in capital and voting rights		
Wockhardt Bio (R) LLC		
Incorporated in Russia on 25th August 2015		
5'150'000 Registered shares of Russian Roubles 1.00 each	83'491	83'491
100% share in capital and voting rights		
Wockhardt Farmaceutica SA DE CV		
Incorporated in Mexico		
36'867'236 Ordinary shares of MXN 1.00	1	1
100% share in capital and voting rights		
Wockhardt Services SA DE CV		
Incorporated in Mexico		
50'000 Ordinary shares of MXN 1.00	1	1
100% share in capital and voting rights		
Wockhardt France (Holding) S A S		
Incorporated in France		
601'000 Registered shares of EUR 100	1'836'445	1'836'445
100% share in capital and voting rights		
Wockhardt Holding Corp		
Incorporated in Delaware, USA		
1'100 shares of Common Stock of USD 1.00	30'295'509	30'295'509
100% share in capital and voting rights		

Notes to the financial statements for the year ended March 31,	2020	2019
	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	146'838	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	7'459

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.

10 Loan & pledged assets

Term Loan availed by Wockhardt Bio AG of USD 125 Mn (CHF 120.68 Mn). Previous year USD 187.50 Mn (CHF 186.77 Mn) 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 Kadayana in Daman and Baddi in Himachal Pradesh & on Fixed Deposits of INR 450 Mn (CHF 5.75 Mn) in India.
- this term loan is also secured by Corporate Guarantee of USD 300 Mn (CHF 289.63 Mn) from Wockhardt Limited.

As of 31 March 2019 and 2020, some of the financial covenants under the USD 250 Mn loan facility agreement in a consortium of two bankers fell short of the agreed thresholds. The Company believes that the chance of lenders demanding acceleration of the loan is remote.

The loan carries an interest rate of six months LIBOR along with a margin of 2.88% and additional interest due to non-compliance of covenants. Loan is repayable in 8 equal half yearly instalments. The repayment schedule of the said loan has commenced from July 2018.

11 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 Managing Director	25'308	25'008
Dr. Habil F. Khorakiwala Shareholder and Chairman of the board of directors of Wockhardt Ltd., India	5'000'000	5'000'000

Last trading price at BX-Swiss on 25.03.2020 was CHF 3.00
(Previous year last traded price was CHF 0.50 on 14.01.2019).
Mr. Shekhar Datta has been appointed as Chairman of the Board of Directors on 24.09.2018, effective 01.04.2019.
Mr. Ravindra K. Limaye has been appointed on Board of Directors wef 09.09.2019.
Mr. Adnan J. Ashurst has been released from the Board of Directors wef 09.09.2019.
Mr. Sunil Kherra has been released from the Board of Directors wef 09.09.2019.

12 Significant shareholders

Wockhardt Ltd. Mumbai	Number of shares Capital and vote share	44'600'000 85.9%	44'600'000 85.9%
Dr. Habil F. Khorakiwala	Number of shares Capital and vote share	5'000'000 9.6%	5'000'000 9.6%

Dr. Habil F. Khorakiwala is the Chairman of the board of directors of Wockhardt Ltd. Therefore, he collectively could influence the vote share of 95.48% of Wockhardt Bio AG.

Notes to the financial statements for the year ended March 31,	2020	2019
	CHF	CHF

13 Capitalisation of Borrowing Costs

Borrowing costs directly attributable to acquisition of qualifying assets have been capitalized. Borrowing costs amounting to USD 8.84 Mn (CHF 8.71 Mn), prior year 7.95 Mn (CHF 7.86 Mn) have been capitalized, of which USD 7.28 Mn (CHF 7.17 Mn), prior year USD 6.43 Mn (CHF 6.36 Mn) is included under 'Intangible Assets under Development' and USD 1.57 Mn (CHF 1.55 Mn), prior year USD 1.52 Mn (CHF 1.50 Mn), is included under 'Capitalized work in Progress' as at March 31, 2020.

14 Dividends received

During the financial year 2019/20, the company received a Dividend of Eur 29.60 Mn (CHF 32.04 Mn) against Preference Shares held in Wockpharma Ireland (100% owned subsidiary). The amount has been recognised as Dividend received - subsidiaries and presented under Financial Income in the Income statement. As per policy, Dividend income is recognised only when the company becomes legally entitled to receive them.

15 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 2021-22.

16 Subsequent events

No significant events occurred between balance sheet date and May 22, 2020, the date when the financial statements were signed off by the Board of Directors for publication.

Proposed appropriation of available earnings	31.03.2020	31.03.2019
	CHF	CHF
Proposed appropriation of available earnings		
Profit carried forward	193'176'446	226'110'014
Profit (Loss) of the year	31'608'118	-32'933'569
Available earnings	224'784'564	193'176'446
The Board of Directors proposes to the shareholders at the Annual General Meeting the following allocation :		
Balance to be carried forward	224'784'564	193'176'446
Total	224'784'564	193'176'446