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BDO Ltd  
Schiffbaustrasse 2  
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 2020/21**

(for the year ended 31 March 2021)

21 May 2021  
2111 6123/2+1/RFU

## 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 2021, 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 2021 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 142.5 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 external valuation reports regarding the sales of IP rights to Wockhardt Limited, Mumbai 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, 21 May 2021

BDO Ltd

A handwritten signature in blue ink, appearing to read 'R. Füglistner'.

René Füglistner

Auditor in Charge

Licensed Audit Expert

A handwritten signature in blue ink, appearing to read 'D. Hämmerli'.

David Hämmerli

Licensed Audit Expert

### Enclosures

Financial statements

Proposed appropriation of available earnings

<b>Balance Sheet as per March 31,</b>	<b>2021</b>	<b>2020</b>
	CHF	CHF
<b>Current assets</b>		
Cash and bank balances	5'183'890	1'858'678
Prepayments - third parties	2'331'476	2'773'550
Advances - shareholders	85'507'641	90'617'710
Advances - subsidiaries	50'976'092	45'929'452
Accounts receivable - third parties	9'465'473	6'453'558
Accounts receivable - shareholders	461'907	333'494
Accounts receivable - subsidiaries	110'287'950	231'860'475
Other receivables	378'042	370'565
Inventories	6'660'591	4'307'835
<b>Total current assets</b>	<b>271'253'063</b>	<b>384'505'318</b>
<b>Fixed assets</b>		
Investments - subsidiaries	143'710'505	143'710'505
	<u>143'710'505</u>	<u>143'710'505</u>
Tangible assets	112'161	133'055
Accumulated depreciation	-101'845	-111'933
Tangible assets net	<u>10'315</u>	<u>21'122</u>
Capitalized Work in Progress	34'047'400	34'118'648
Licences and trade marks	38'200'125	47'024'329
Accumulated amortisation	-34'758'278	-39'676'718
Licences and trade marks net	<u>3'441'847</u>	<u>7'347'611</u>
Intangible assets under development	142'495'861	165'208'218
<b>Total fixed assets</b>	<b>323'705'928</b>	<b>350'406'105</b>
<b>Total assets</b>	<b>594'958'990</b>	<b>734'911'423</b>
<b>Liabilities</b>		
Accounts payable - third parties	21'131'834	36'213'059
Accounts payable - shareholders	95'174'602	85'164'802
Accounts payable - subsidiaries	49'930'648	142'027'191
Advances from customers	279'421	663'411
Payable VAT	3'607'202	1'049'614
Loan - third party - interest bearing	58'779'408	60'340'423
Loans - group companies	1'196'446	7'538'871
Accrued expenses	7'339'714	9'524'030
Deferred Revenue	2'821'412	0
Accrued taxes	317'466	78'775
<b>Total short term liabilities</b>	<b>240'578'151</b>	<b>342'600'177</b>
Loan - third party - interest bearing	0	60'340'423
<b>Total long term liabilities</b>	<b>0</b>	<b>60'340'423</b>
<b>Total liabilities</b>	<b>240'578'151</b>	<b>402'940'600</b>
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
	<u>3'388'259</u>	<u>3'388'259</u>
Statutory retained earnings		
General Reserves	23'474'000	23'474'000
Currency translation adjustments	24'102'171	28'376'001
Profit carried forward	224'784'564	193'176'446
Profit/( Loss ) of the year	26'683'846	31'608'118
Retained earnings	<u>251'468'410</u>	<u>224'784'564</u>
<b>Total shareholder's equity</b>	<b>354'380'840</b>	<b>331'970'824</b>
<b>Total liabilities and shareholder's equity</b>	<b>594'958'990</b>	<b>734'911'423</b>

<b>Income statement</b>	<b>2020/21</b>	<b>2019/20</b>
	CHF	CHF
<b>Revenues</b>		
Sales export	158'390'716	189'694'132
Other operating income	29'809'352	712'529
Fee for service/Royalty paid	-1'637'681	-5'179'622
Bad debts	29'907	-215'493
<b>Total revenues</b>	<b>186'592'295</b>	<b>185'011'545</b>
<b>Operating expenses</b>		
Cost of goods, materials and freight sold	128'643'467	136'233'987
Cost of purchase of ANDA rights	3'771'838	0
Selling and distribution expenses	3'277'769	4'343'304
Export costs	206'669	296'616
Employee costs	2'102'337	2'046'362
Repairs and maintenance	0	104
Insurance	608'913	557'585
Research and development costs	5'399'029	20'730'082
Legal and consultancy costs	2'031'002	-605'117
Trade mark costs	62'025	107'394
Management fees	510'247	548'929
Travel expenses	11'663	139'654
Other operating expenses	8'594'885	9'704'024
Depreciation	2'609'022	3'467'295
Impairment on licences and trade marks	1'053'447	0
<b>Total operating expenses</b>	<b>158'882'312</b>	<b>177'570'220</b>
<b>Net profit / (loss) from operations</b>	<b>27'709'983</b>	<b>7'441'325</b>
<b>Financial Income/Expenses</b>		
<i>Financial income</i>		
Interest income - third party	4'854	38'426
Interest income - subsidiaries	861'219	839'414
Dividend income-subsiidiaries	0	32'041'232
Exchange gains	2'583'782	172'342
<b>Total financial income</b>	<b>3'449'855</b>	<b>33'091'414</b>
<i>Financial expenses</i>		
Interest charges - third party	2'965'226	5'636'418
Interest and guarantee charges - shareholders	963'690	1'476'875
Interest charges - group companies	129'418	85'526
Bank charges	144'232	622'756
Exchange losses	0	1'011'746
<b>Total financial expenses</b>	<b>4'202'566</b>	<b>8'833'321</b>
<b>Total financial result</b>	<b>-752'711</b>	<b>24'258'093</b>
<b>Net Profit/(loss) for the year before tax</b>	<b>26'957'271</b>	<b>31'699'418</b>
Direct taxes	-273'425	-91'300
<b>Profit/ (Loss ) of the year</b>	<b>26'683'846</b>	<b>31'608'118</b>

Notes to the financial statements for the year ended March 31,	2021	2020
	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. Accordingly in the current year currency conversion gain of CHF 24.10 Mn has been presented under Equity under the heading Currency translation adjustments like prior year currency conversion gain of CHF 28.38 Mn.

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

Average rate - CHF/USD : 1.09

Closing rate - CHF/USD : 1.06

### 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 2020-21 :

WCK 771/ 2349: After approval received from DCGI both the products have been launched and well established in India and its available in most of the major hospitals across India. Our regulatory team is working on its filing in several emerging markets such as African and south east Asian countries.

WCK 4282: The study with approx.1004 patients is estimated to commence by end 2021. It is expected to be completed by Q1 2024 and marketing application will be filed by early Q3 2024.

WCK 4873: Phase III study in community acquired bacterial pneumonia (CABP) in India has been initiated. Study is estimated to be completed by Q3 2022 and marketing application will be filed in Q4 2022. These timelines are likely to be impacted due to Covid pandemic.

WCK 5222: The study is expected to start by Q3 2021 and get completed by Q1 2023 and marketing application will be filed in Q2 2023.

WCK 6777: US IND (IND No: 136940) for WCK 6777 is approved. Phase 1 SAD study is estimated to start by end of 2021.

The clinical development expenses for the year amounting to USD 12.37 Mn (CHF 11.38 Mn) prior year USD 18.24 Mn (CHF 17.97 Mn) pertaining to Company's NCE, and the amount has been capitalised during the year and included under 'Intangible Assets under Development as at March 31, 2021.

### 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,	2021	2020
	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	327'956	333'547
1-5 years	813'911	1'334'190
More than 5 years*	594'948	1'667'737
<b>Total Lease obligations</b>	<b>1'736'815</b>	<b>3'335'474</b>

\*Lease obligations considered until 2031.

#### 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

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

1

##### 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

1



Notes to the financial statements for the year ended March 31,	2021	2020
	CHF	CHF
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
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 on 11th November, 2015 with an objective of trading, manufacturing, selling and marketing. Wockhardt Bio Ltd., New Zealand is yet to commence the business.

#### 10 Loan & pledged assets

Term Loan availed by Wockhardt Bio AG of USD 62.5 Mn (CHF 58.78 Mn), Previous year: USD 125 Mn (CHF 120.68 Mn) is secured as under:

- (i) 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).
- (ii) first ranking charge on fixed assets of Wockhardt Limited situated at Kadaiya in Daman and on Fixed Deposits of INR 450 Mn (CHF 5.60 Mn) in India.
- (iii) this term loan is also secured by Corporate Guarantee of USD 300 Mn (CHF 282.14 Mn) from Wockhardt Limited.

As of 31 March 2021 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 in a range of 275 BPS to 300 BPS and additional interest due to non-compliance of covenants. Loan is repayable in 2 equal half yearly instalments by March 2022. The repayment schedule of the said loan has commenced from July 2018.

Notes to the financial statements for the year ended March 31,	2021	2020
	CHF	CHF

#### 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	25'308	25'308
Dr. Habil F.Khorakiwala	5'000'000	5'000'000

Last trading price at BX-Swiss on 12.03.2021 was CHF 2.58

(Previous year last traded price was CHF 3.00 on 25.03.2020).

Mr. Shekhar Datta was reappointed as Chairman of the Board of Directors on 22.09.2020 until next ordinary general meeting of shareholders.

Mr. Ravindra K. Limayae and Mr. Ajay Sahni were also reappointed on Board of Directors wef 22.09.2020 until next ordinary general meeting of shareholders.

#### 12 Significant shareholders

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

#### 13 Capitalisation of Borrowing Costs

Borrowing costs directly attributable to acquisition of qualifying assets have been capitalized. Borrowing costs amounting to USD 3.86 Mn (CHF 3.55 Mn) prior year USD 8.84 Mn (CHF 8.71 Mn) have been capitalized, of which USD 3.18 Mn (CHF 2.92 Mn) prior year USD 7.28 Mn (CHF 7.17 Mn) is included under 'Intangible Assets under Development' and USD 0.68 Mn (CHF 0.63 Mn) prior year USD 1.57 Mn (CHF 1.55 Mn) is included under 'Capitalized work in Progress' as at 31 March 2021.

#### 14 Other operating income

Profit from sale of assets includes USD 32.40 Mn (CHF 29.81 Mn) prior year USD 0.72 Mn (CHF 0.71 Mn) gain on novation of assets/transfer of marketing authorisation for territory/product out-licensing rights to Wockhardt Limited.

#### 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 2023-24.

#### 16 Subsequent events

No significant events occurred between balance sheet date and 21 May 2021, the date when the financial statements were signed off by the Board of Directors for publication.

<b>Proposed appropriation of available earnings</b>	31.03.2021	31.03.2020
	CHF	CHF
<b>Proposed appropriation of available earnings</b>		
Profit carried forward	224'784'564	193'176'446
Profit / (Loss) of the year	26'683'846	31'608'118
<b>Available earnings</b>	<b>251'468'410</b>	<b>224'784'564</b>
The Board of Directors proposes to the shareholders at the Annual General Meeting the following allocation :		
Balance to be carried forward	251'468'410	224'784'564
<b>Total</b>	<b>251'468'410</b>	<b>224'784'564</b>