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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 2021/22**

(for the year ended 31 March 2022)

07 July 2022  
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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

We have audited the financial statements of Wockhardt Bio LTD, which comprise the balance sheet as at 31 March 2022, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 March 2022 comply with Swiss law and the company's articles of incorporation.

#### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and 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 entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

Key Audit Matter	How our audit addressed the key audit matter
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#### Capitalisation and Recoverability of development costs

The company has capitalised external and internal development costs of CHF 145.2 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 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 ob-



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

tained 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 141.4 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.

### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the entity'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 the Board of Directors either intends to liquidate the entity 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 Swiss law and Swiss Auditing Standards 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.



A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 1 item 3 CO and the 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, 07 July 2022

BDO Ltd

David Hämmerli  
Auditor in Charge  
Licensed Audit Expert

ppa. Seraina Giger  
Licensed Audit Expert

#### **Enclosures**

Financial statements  
Proposed appropriation of available earnings

<b>Balance Sheet as per March 31,</b>	<b>2022</b>	<b>2021</b>
	CHF	CHF
<b>Current assets</b>		
Cash and bank balances	6'026'016	5'183'890
Short Term Deposits with Banks	62'237	-
Prepayments - third parties	280'911	2'331'476
Advances - shareholders	91'242'286	85'507'641
Advances - subsidiaries	2'802'371	50'976'092
Accounts receivable - third parties	7'645'621	9'465'473
Accounts receivable - shareholders	18'469'015	461'907
Accounts receivable - subsidiaries	55'049'980	110'287'950
Receivable VAT	588'860	-
Other receivables	348'867	378'042
Inventories	7'207'089	6'660'591
<b><i>Total current assets</i></b>	<b>189'723'253</b>	<b>271'253'063</b>
<b>Fixed assets</b>		
Investments - subsidiaries	141'477'963	143'710'505
	141'477'963	143'710'505
Tangible assets	119'088	112'161
Accumulated depreciation	-105'911	-101'845
Tangible assets net	13'177	10'315
Capitalized Work in Progress	33'889'434	34'047'400
Licences and trade marks	37'771'298	38'200'125
Accumulated amortisation	-36'408'486	-34'758'278
Licences and trade marks net	1'362'812	3'441'847
Intangible assets under development	145'244'375	142'495'861
<b><i>Total fixed assets</i></b>	<b>321'987'761</b>	<b>323'705'928</b>
<b><i>Total assets</i></b>	<b>511'711'014</b>	<b>594'958'990</b>

Balance Sheet as per March 31,	2022	2021
	CHF	CHF
<b>Liabilities</b>		
Accounts payable - third parties	28'207'656	21'131'834
Accounts payable - shareholders	117'428'518	95'174'602
Accounts payable - subsidiaries	85'717'214	49'930'648
Advances from customers	167'373	279'421
Payable VAT	-	3'607'202
Loan - third party - interest bearing	-	58'779'408
Loans - group companies	5'224'398	1'196'446
Accrued expenses	9'136'667	7'339'714
Deferred Revenue	2'770'208	2'821'412
Accrued taxes	312'365	317'466
<b>Total short term liabilities</b>	<b>248'964'399</b>	<b>240'578'151</b>
Loan - third party - interest bearing	-	-
<b>Total long term liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>248'964'399</b>	<b>240'578'151</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
	<b>3'388'259</b>	<b>3'388'259</b>
Statutory retained earnings		
General Reserves	23'474'000	23'474'000
Currency translation adjustments	19'713'453	24'102'171
Profit carried forward	251'468'410	224'784'564
Profit/( Loss ) of the year	-87'245'507	26'683'846
Retained earnings	<b>164'222'903</b>	<b>251'468'410</b>
<b>Total shareholder's equity</b>	<b>262'746'615</b>	<b>354'380'840</b>
<b>Total liabilities and shareholder's equity</b>	<b>511'711'014</b>	<b>594'958'990</b>

Income statement	2021/22	2020/21
	CHF	CHF
<b>Revenues</b>		
Sales export	91'944'403	158'390'716
Other operating income	29'829'643	29'809'352
Fee for service/Royalty paid	-1'875'353	-1'637'681
Bad debts	-73'388	29'907
<b>Total revenues</b>	119'825'305	186'592'295
<b>Operating expenses</b>		
Cost of goods, materials and freight sold	108'133'546	128'643'467
Cost of purchase of ANDA rights	-	3'771'838
Selling and distribution expenses	2'376'270	3'277'769
Export costs	95'576	206'669
Employee costs	1'903'898	2'102'337
Repairs and maintenance	839	-
Insurance	599'858	608'913
Research and development costs	24'532'164	5'399'029
Legal and consultancy costs	1'467'740	2'031'002
Trade mark costs	79'295	62'025
Management fees	442'454	510'247
Travel expenses	39'403	11'663
Other operating expenses	8'227'174	8'594'885
<b>Total operating expenses</b>	147'898'217	155'219'844
<b>Net profit / (loss) from operations</b>	-28'072'912	31'372'451
<b>Depreciation and valuation adjustments on fixed assets</b>		
Depreciation	2'351'075	2'609'022
Impairment on licences and trade marks	78'808	1'053'447
Impairment of inter-company loans	48'032'303	-
Impairment of investments on subsidiaries	2'231'666	-
<b>Total depreciation and valuation adjustments on fixed assets</b>	52'693'852	3'662'470
<b>Net profit / (loss) after depreciation and valuation adjustment</b>	-80'766'764	27'709'981
<b>Financial Income/Expenses</b>		
<i>Financial income</i>		
Interest income - third party	1'896	4'854
Interest income - subsidiaries	823'075	861'219
Exchange gains	-	2'583'782
<b>Total financial income</b>	824'971	3'449'855
<i>Financial expenses</i>		
Interest charges - third party	1'958'207	2'965'226
Interest and guarantee charges - shareholders	409'776	963'690
Interest charges - group companies	2'045'641	129'418
Bank charges	392'343	144'232
Exchange losses	1'830'818	-
<b>Total financial expenses</b>	6'636'785	4'202'566
<b>Total financial result</b>	-5'811'814	-752'711
<b>Net Profit/(loss) for the year before tax</b>	-86'578'578	26'957'270
Direct taxes	-666'929	-273'425
<b>Profit/ (Loss) of the year</b>	-87'245'507	26'683'846

Proposed appropriation of available earnings	31.03.2022	31.03.2021
	CHF	CHF
<b>Proposed appropriation of available earnings</b>		
Profit carried forward	251'468'410	224'784'564
Profit / (Loss) of the year	-87'245'507	26'683'846
	<b>164'222'903</b>	<b>251'468'410</b>
<b>Available earnings</b>		
The Board of Directors proposes to the shareholders at the Annual General Meeting the following allocation :		
Balance to be carried forward	164'222'903	251'468'410
<b>Total</b>	<b>164'222'903</b>	<b>251'468'410</b>



## 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 19.71 Mn has been presented under Equity under the heading Currency translation adjustments like prior year currency conversion gain of CHF 24.10 Mn.

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

Average rate - CHF/USD : 1.09

Closing rate - CHF/USD : 1.08

## 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 2021-22 :

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

WCK 5222: The study is expected to start by Q2 of 2022 and get completed by Q4 of 2023 and marketing application will be filed in Q1 of 2024.

WCK 4282: The study with approx.1004 patients is estimated to commence by Q4 of 2022 . The regulatory approval in India has been received. It is expected to be completed by Q2 of 2025 and marketing application will be filed by Q3 of 2025.

WCK 4873: Phase III study in community acquired bacterial pneumonia (CABP) in India has been initiated. Currently 62 patients have been randomized. Study is estimated to be completed by Q1 of 2023 and marketing application will be filed in Q3 of 2023.

WCK 6777: The National Institutes of Health (NIH, USA) has recognized the clinical significance of WCK 6777 and accordingly selected for the conduct of Phase 1 study. The study will be undertaken at NIH's Phase 1 clinical trial unit in consultation with two experts (US infectious disease).

The clinical development expenses on the NCE development programme for the year amounting to USD 18.93 Mn (CHF 17.36 Mn) prior year USD 12.37 Mn (CHF 11.38 Mn) pertaining to Company's NCE, and the amount has been capitalised during the

## 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.

**5 Inventories**

CHF

CHF

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 generally 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	337'759	327'956
1-5 years	681'093	813'911
More than 5 years*	374'272	594'948
<b>Total Lease obligations</b>	<b>1'393'124</b>	<b>1'736'815</b>

\*Lease obligations considered until Feb 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

100% share in capital and voting rights

1

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

**Wockhardt France (Holding) S.A.S.**

Incorporated in France

601'000 Registered shares of EUR 100

100% share in capital and voting rights

1

1'836'445

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

2022

2021

	CHF	CHF
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	1	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

The company paid the term loan during the current financial year fully. Balance outstanding in the Previous financial year was USD 62.5 Mn (CHF 58.78 Mn).

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 CHF 0.32 Mn (Previous Year CHF 0.39 Mn).

#### 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 Dr. Habil F.Khorakiwala	25'308	25'308
Managing Director 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 22.02.2022 was CHF 1.31  
(Previous year last traded price was CHF 2.58 on 12.03.2021).

Mr. Shekhar Datta was reappointed as Chairman of the Board of Directors on 20.09.2021 until next ordinary general meeting of shareholders.

Mr. Ravindra K. Limayae and Mr. Ajay Sahni were also reappointed on Board of Directors wef 20.09.2021 until next ordinary general meeting of shareholders.

**Notes to the financial statements for the year ended March 31,****2022****2021**

CHF

CHF

**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 1.47 Mn (CHF 1.35 Mn) , prior year USD 3.86 Mn (CHF 3.55 Mn) have been capitalized, of which USD 1.19 Mn (CHF 1.09 Mn), prior year USD 3.18 Mn (CHF 2.92 Mn) is included under 'Intangible Assets under Development' and USD 0.28 Mn (CHF 0.26 Mn), prior year USD 0.68 Mn (CHF 0.63 Mn), is included under 'Capitalized work in Progress' as at 31st March, 2022.

**14 Other operating income**

Profit from sale of assets includes USD 32.52 Mn (CHF 29.83 Mn), prior year USD 32.40 Mn (CHF 29.81 Mn) gain on novation of assets/transfer of marketing authorisation for territory/product out-licensing rights to Wockhardt Limited.

**15 Impairment of inter-company loans and investments on subsidiaries**

An inter-company loan of Euro 43.55 Mn (CHF 45.82 Mn) and interest accrued thereon Euro 2.09 Mn (CHF 2.21 Mn) which was extended to the subsidiary company Wockhardt France (Holdings) S.A.S. was written off during the current financial year following the impairment testing carried out by the management. This inter-company loan was presented under Advances Subsidiaries under current assets in previous financial year, was reclassified as long term and then written off. Further, during the year investments in the subsidiary companies Wockhardt France (Holdings) S.A.S (CHF 1.84 Mn), CP Pharma (Schweiz) AG ( CHF 0.25 Mn), Pinewood Healthcare UK Ltd (CHF 0.15 Mn) were written off.

**16 Assignment of Glargine Biosimilar IP for European market**

During the course of the year the company entered in an agreement with Wockhardt Ltd. for the assignment of Glargine Biosimilar IP rights for European market at a consideration of USD 20.40 Mn ( CHF 18.7 Mn). The consideration was captured under research and development costs in the income statement.

**17 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.

**18 Subsequent events**

No significant events occurred between balance sheet date and July 7, 2022, the date when the financial statements were signed off by the Board of Directors for publication.