

**BIOCON SA****DELÉMONT**

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**Report of the statutory auditor**  
On the limited statutory examination  
of March 31, 2019

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## Report of the statutory auditor on the limited statutory examination to Biocon SA of March 31, 2019

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As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Biocon SA, Délemont for the financial year ended at March 31, 2019. The limited statutory examination of the prior year financial statements was performed by another auditor who expressed an unmodified examination conclusion on those financial statements on 5<sup>th</sup> July 2018.

These financial statements are the responsibility of Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

### MAZARS SA

Michael Ackermann  
Licensed Audit Expert  
(Auditor in charge)

Joël Schneuwly  
Licensed Audit Expert

Neuchâtel, June 28, 2019

### Enclosures

- Financial statements and proposed appropriation of available earnings

BIOCON SA  
Rue de l'Avenir 2  
2800 Delémont

<b>BALANCE SHEET</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
<b>ASSETS</b>	<b>CHF</b>	<b>CHF</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	602,015	819,352
Trade receivables	3,316,128	4,237,392
Third parties	510,467	544,537
Group companies	2,805,661	3,692,855
Other current receivables	6,094	366
VAT on other expenses	5,721	-
Withholding tax	373	366
Accrued income and prepaid expenses	85,994	84,331
<b>TOTAL CURRENT ASSETS</b>	<b>4,010,231</b>	<b>5,141,441</b>
<b>CAPITAL ASSETS</b>		
Long-term financial assets	60,467,292	60,274,446
Biocon SDN.BHD (convertible preferred shares)	60,467,292	60,274,446
Intangible fixed assets	895,817	1,171,315
Marketing rights	56	55
Intangibles under development	895,761	1,171,260
<b>TOTAL CAPITAL ASSETS</b>	<b>61,363,109</b>	<b>61,445,761</b>
<b>TOTAL ASSETS</b>	<b>65,373,340</b>	<b>66,587,202</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT BORROWED CAPITAL</b>		
Trade creditors	44,309	1,609,353
Third parties	44,309	98,620
Group companies	-	1,510,733
Other current liabilities	24,707	-
Other payables	24,707	-
Accrued expenses	120,846	1,576,357
Provision for direct taxes	-	-
Accrued liabilities and deferred income	120,846	1,576,357
<b>TOTAL CURRENT BORROWED CAPITAL</b>	<b>189,862</b>	<b>3,185,710</b>
<b>LONG-TERM BORROWED CAPITAL</b>		
Conversion differences	2,936,741	1,682,933
<b>TOTAL LONG-TERM BORROWED CAPITAL</b>	<b>2,936,741</b>	<b>1,682,933</b>
<b>SHAREHOLDER'S EQUITY</b>		
Share-capital	100,000	100,000
Statutory retained earnings	32,591	32,591
Retained earnings	61,585,968	65,469,297
Loss/(Profit) for the year	528,178	-3,883,329
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>62,246,737</b>	<b>61,718,559</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>65,373,340</b>	<b>66,587,202</b>

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<b>INCOME STATEMENT</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>CHF</b>	<b>CHF</b>
Net proceeds from sales of services	-	18,491
Recharge of development expenses	-	-
<b>TOTAL OPERATING REVENUE</b>	<b>-</b>	<b>18,491</b>
Development charges	-246,525	-3,236,021
Amortisation of intangible assets	-296,325	-291,198
Administration expenses	-170,946	-215,693
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>-713,796</b>	<b>-3,742,912</b>
<b>OPERATING RESULT</b>	<b>-713,796</b>	<b>-3,724,421</b>
Financial expenses	-16,316	-158,881
Interest paid, bank charges	-3,182	-97,493
Exchange loss	-13,134	-61,388
Financial income	2,312	51,632
Creditor interests	1,418	27,710
Exchange gain	894	23,922
Extraordinary income	1,256,102	-
Extraordinary expenses	-124	-51,659
<b>RESULT BEFORE TAXES</b>	<b>528,178</b>	<b>-3,883,329</b>
Direct taxes	-	-
<b>LOSS/(PROFIT) FOR THE YEAR</b>	<b>528,178</b>	<b>-3,883,329</b>

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **Accounting and valuation principles**

#### **General**

Accounting principles of the company comply with the Swiss law. The accounting is held in USD (Functionnal currency). At the closing date, balance sheet and income statement figures are converted in CHF.

#### **Long-term financial assets**

The Long-term financial asset represents a non-cumulative redeemable convertible preferred shares (NCRCPs) which is recognized at nominal value.

Biocon Sdn Bhd, a related party, has set-up a biopharmaceutical facility in Johor, Malaysia. The Malaysian facility will be used to manufacture the Biosimilar insulin analogs. Biocon SA has financed a part of this construction through the subscription of NCRCPs without voting rights issued by Biocon SDN.BHD.

In June and September 2017, Biocon SA sold 3'246'532 NCRCPs (March 2017: 1'947'919) to Biocon Biologics Limited UK at the book value of USD 10'000'000.

From a Swiss accounting point of view, the NCRCPs are treated as a long-term financial asset (previous year: investment) as an investment classification for such instrument does not exist under Swiss law. However, on the basis of tax ruling received from the Swiss tax authorities, the NCRCPs are treated as an equity instrument from a Swiss tax point of view.

#### **Intangibles fixed assets**

Intangible assets are recognized at the purchase value. Marketing rights are amortized over 5 years using the straight line method.

### **Information relating items of the balance sheet and profit and loss account**

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>CHF</b>	<b>CHF</b>
<b>Extraordinary income</b>		
Reversal of Accrued expenses due termination of contract	<b>1,256,102</b>	-
<b>Extraordinary expenses</b>		
Stamp Duty on sale of shares	-	-51,263
Miscellaneous	-	-396
	-	<b>-51,659</b>

### **Other information required by the law**

#### **Conversion of financial statements in foreign currency:**

Exchange rates used for conversion in functionnal currency (USD):

1 EUR	Closing rate	0.891	0.810
1 GBP	Closing rate	-	-
1 CHF	Closing rate	0.995	1.000

Exchange rates used for the conversion in CHF:

Balance sheet	Closing rate 1 USD	CHF 0.9953	CHF 0.9761
Equity		Historical	Historical
Profit and loss account	Average annual rate 1 USD	CHF 0.9878	CHF 0.9707

#### **Number of employees**

The company had no full time equivalent employee as of 31 March 2019

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<b><i>PROPOSED APPROPRIATION OF RETAINED EARNINGS</i></b>	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>CHF</b>	<b>CHF</b>
The Board of Directors proposes the following appropriation of the retained earnings:		
Profit carried forward	61,585,968	65,469,297
Loss/(Profit) for the year	528,178	-3,883,329
<b>Retained earnings</b>	<b>62,114,146</b>	<b>61,585,968</b>
<b>RETAINED EARNINGS CARRIED FORWARD</b>	<b>62,114,146</b>	<b>61,585,968</b>

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