



Biocon SA, Delémont

**Report of the Statutory Auditor
on the Limited Statutory Examination
to the General Meeting of Shareholders
Financial Statements 2018**



**KPMG SA
Audit**

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Report of the Statutory Auditor on the Limited Statutory Examination to the General Meeting of Shareholders of

Biocon SA, Delémont

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Biocon SA for the year ended 31 March 2018.

These financial statements are the responsibility of the 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.

KPMG SA

Fabien Perrinjaquet
*Licensed Audit Expert
Auditor in Charge*

Sofia Da Silva
Licensed Audit Expert

Zurich, 5 July 2018

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

BIOCON SA
Rue de l'Avenir 2
2800 Delémont

BALANCE SHEET	31.03.2018	31.03.2017
ASSETS	CHF	CHF
CURRENT ASSETS		
Cash and cash equivalents	819,352	1,651,116
Trade receivables	1,294,335	8,732,290
Third parties	325,669	8,632,565
Group companies	968,666	99,725
Other current receivables	2,943,423	374
Third parties	218,868	-
Group companies	2,724,189	-
Withholding tax	366	374
Accrued income and prepaid expenses	84,331	1
TOTAL CURRENT ASSETS	5,141,441	10,383,781
NON-CURRENT ASSETS		
Long-term financial assets	60,274,446	71,556,119
Biocon SDN.BHD (convertible preferred shares)	60,274,446	71,556,119
Intangible assets	1,171,315	1,495,931
Marketing rights	55	56
Intangibles under development	1,171,260	1,495,875
TOTAL NON-CURRENT ASSETS	61,445,761	73,052,050
TOTAL ASSETS	66,587,202	83,435,831
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	1,609,353	11,803,744
Third parties	98,620	970,040
Group companies	1,510,733	10,833,704
Other current liabilities	-	482,098
VAT Payable	-	482,098
Accrued expenses	1,576,357	2,381,694
Provision for direct taxes	-	1,006,484
Accrued liabilities and deferred income	1,576,357	1,375,210
TOTAL CURRENT LIABILITIES	3,185,710	14,667,536
NON-CURRENT LIABILITIES		
Conversion differences	1,682,933	3,166,406
TOTAL NON-CURRENT LIABILITIES	1,682,933	3,166,406
SHAREHOLDER'S EQUITY		
Share-capital	100,000	100,000
General legal retained earnings	32,591	32,591
Retained earnings	65,469,297	55,024,836
(Loss) / Profit for the year	-3,883,329	10,444,461
TOTAL SHAREHOLDER'S EQUITY	61,718,559	65,601,888
TOTAL LIABILITIES & EQUITY	66,587,202	83,435,831

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INCOME STATEMENT	2017-2018	2016-2017
	CHF	CHF
Revenue from sales of goods and services	18,491	18,720,824
Recharge of development expenses	-	5,815,300
TOTAL OPERATING REVENUE	18,491	24,536,124
Development charges	-3,236,021	-30,705,276
Amortisation of intangible assets	-291,198	-
Administration expenses	-215,693	-183,210
TOTAL OTHER OPERATING EXPENSES	-3,742,912	-30,888,486
OPERATING RESULT	-3,724,421	-6,352,363
Financial expenses	-158,881	-244,004
Interest paid, bank charges	-97,493	-142,278
Exchange loss	-61,388	-101,726
Financial income	51,632	59,622
Creditor interests	27,710	4,037
Exchange gain	23,922	55,585
Extraordinary income	-	18,019,921
Extraordinary expenses	-51,659	-33,594
RESULT BEFORE TAXES	-3,883,329	11,449,583
Direct taxes	-	-1,005,122
(LOSS) / PROFIT FOR THE YEAR	-3,883,329	10,444,461

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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 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

	31.03.2018	31.03.2017
	CHF	CHF
Extraordinary income		
Gain on sale of intangible assets	-	18,019,921
Extraordinary expenses		
Stamp Duty on sale of shares	-51,263	-33,499
Miscellaneous	-396	-95
	-51,659	-33,594

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	0.810	1.066
1 GBP	Closing rate	-	1.255
1 CHF	Closing rate	1.000	0.997

Exchange rates used for the conversion in CHF:

Balance sheet	Closing rate 1 USD	CHF 0.9761	CHF 0.9973
Equity		Historical	Historical
Profit and loss account	Average annual rate 1 USD	CHF 0.9707	CHF 0.9959

Number of employees

The company had no full time equivalent employee as of 31 March 2018.

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PROPOSED APPROPRIATION OF RETAINED EARNINGS	31.03.2018	31.03.2017
	CHF	CHF
The Board of Directors proposes the following appropriation of the retained earnings:		
Profit carried forward	65,469,297	55,024,836
(Loss) / Profit for the year	-3,883,329	10,444,461
Retained earnings	61,585,968	65,469,297
RETAINED EARNINGS CARRIED FORWARD	61,585,968	65,469,297