

# Report of the statutory auditor

To the General Meeting of Biocon SA, Delémont

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Biocon SA, which comprise the balance sheet, income statement and notes, for the year ended 31 March 2015.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the 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 the 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 2015 comply with Swiss law and the company's articles of incorporation.

### 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 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 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.

### Ernst & Young Ltd

Pierre-Alain Coquoz  
Licensed audit expert  
(Auditor in charge)

Michael Ackermann  
Licensed audit expert

### Enclosures

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

## Balance Sheet

	31.03.2015 CHF	31.03.2014 CHF
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash at bank	725,121	12,091,273
Short term deposits	19,451,442	42,024,193
Accounts receivables	885,041	3,371,825
Third parties	213,966	2,582,707
Group companies	865,590	789,119
Bad debt provision	-194,515	-
Other short term receivables	95,979	11,595
VAT on other expenses	95,168	-
Withholding tax	811	11,595
Prepayments and accrued income	661,074	320,941
<b>TOTAL CURRENT ASSETS</b>	<b>21,818,657</b>	<b>57,819,828</b>
<b>FIXED ASSETS</b>		
Investment in Biocon SDN.BHD (equity share capital)	5,835,441	5,319,900
Investment in Biocon SDN.BHD (convertible preferred shares)	69,636,258	28,993,455
Long term loans and advance	1,458,860	1,329,975
<b>FINANCIAL ASSETS</b>	<b>76,930,559</b>	<b>35,643,330</b>
Marketing rights	31,172,797	28,418,789
Accumulated depreciations	-28,233,502	-20,305,427
Intangibles under development	17,285,073	14,920,531
<b>INTANGIBLE ASSETS</b>	<b>20,224,368</b>	<b>23,033,893</b>
<b>TOTAL FIXED ASSETS</b>	<b>97,154,927</b>	<b>58,677,223</b>
<b>TOTAL ASSETS</b>	<b>118,973,584</b>	<b>116,497,051</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>		
Payables from goods and services	6,571,795	6,582,968
Third parties	1,326,966	1,248,771
Group companies	5,244,829	5,334,197
C/C Research Corporation Technology	972,573	886,650
VAT Payable	1,915	517,463
Accrued liabilities	2,496,972	1,106,300
Deferred revenues	70,504,071	70,576,291
<b>TOTAL LIABILITIES</b>	<b>80,547,326</b>	<b>79,669,672</b>
<b>SHAREHOLDER'S EQUITY</b>		
Capital	100,000	100,000
General reserve	32,591	32,591
Conversion differences	1,698,524	-1,782,652
Retained earnings	38,477,441	37,367,156
Net result (- Loss)	-1,882,298	1,110,285
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>38,426,258</b>	<b>36,827,380</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>118,973,584</b>	<b>116,497,051</b>

## Income Statement

	2014-2015 CHF	2013-2014 CHF
<b>OPERATING REVENUE</b>		
Turnover	8,548,300	9,676,674
Reverse of deferred revenues	20,218,100	12,228,789
<b>TOTAL OPERATING REVENUE</b>	<b>28,766,400</b>	<b>21,905,463</b>
<b>OPERATING EXPENSES</b>		
Development charges	-25,389,984	-15,722,379
Depreciations	-5,695,025	-5,844,785
<b>TOTAL OPERATING EXPENSES</b>	<b>-31,085,009</b>	<b>-21,567,164</b>
<b>OTHER OPERATING EXPENSES</b>		
Other taxes	-	-44
Audit and administration fees	-119,171	-197,518
Legal expenses	-	-10,768
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>-119,171</b>	<b>-208,330</b>
<b>OPERATING RESULT</b>	<b>-2,437,779</b>	<b>129,969</b>
<b>FINANCIAL EXPENSES</b>		
Interest paid, bank charges	-6,677	-2,634
Exchange loss	-165,543	-296,184
<b>TOTAL FINANCIAL EXPENSES</b>	<b>-172,220</b>	<b>-298,818</b>
<b>FINANCIAL INCOME</b>		
Creditor interests	776,720	1,279,772
Exchange gain	147,986	135,799
<b>TOTAL FINANCIAL INCOME</b>	<b>924,706</b>	<b>1,415,571</b>
Exceptional expense / revenue	3	-
Release / building of provision	-185,856	-
<b>RESULT BEFORE TAXES</b>	<b>-1,871,147</b>	<b>1,246,721</b>
Taxes	-11,151	-136,436
<b>NET RESULT</b>	<b>-1,882,298</b>	<b>1,110,285</b>

## Notes

	31.03.2015	31.03.2014
	CHF	
<b>Essential participation</b>		
Biocon SDN.BHD, Kuala Lumpur (Malaysia)		
Equity share capital	MYR 63'373'840	MYR 63'373'840
Number of ordinary shares owned (MYR 10 each)	1,837,384	1,837,384
Percentage of ownership	28.99%	28.99%

Biocon SA is responsible, through Biocon SDN.BHD, for creating sufficient manufacturing capacity to cater to the requirements for the Biosimilar insulin analogs in the countries covered by the agreement with Mylan GmbH. Biocon Sdn Bhd is setting up a biopharmaceutical facility in Johor, Malaysia. Biocon SA is financing this construction through the subscription of convertible preferred shares without voting rights issued by Biocon SDN.BHD. At the closing date, the investment of Biocon SA during the preceding financial year of MYR 106'161'680 was converted in preferred shares at MYR 10 each in April 2014. The additional investment of Biocon SA during the year amounts to MYR 131,151,100 which will be converted in preferred shares at MYR 10 each.

### Information on the completion of a risk assessment

The Board of Directors performed a risk assessment on April 29th, 2014. By doing so, the most significant risks were evaluated and the necessary measures for the control and supervision of these risks, including implementation, have been defined.

### Other information required by the law

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

Functional currency used for accounting		USD	USD
Exchange rates used for conversion in functional currency:			
1 EUR	Closing rate	1.074	1.375
1 GBP	Closing rate	1.482	1.664
1 CHF	Closing rate	1.028	1.127
Exchange rates used for the conversion in CHF:			
Balance sheet	Closing rate 1 USD	CHF 0.9726	CHF 0.887
Equity		Historical	Historical
Profit and loss account	Average annual rate 1 USD	CHF 0.9293	CHF 0.912

## Proposed Appropriation of Retained Earnings

	31.03.2015	31.03.2014
	CHF	
The Board of Directors proposes the following appropriation of the retained earnings:		
Profit carried forward	38,477,441	37,367,156
Net result	-1,882,298	1,110,285
Retained earnings	36,595,143	38,477,441
<b>CARRY-FORWARD TO NEW ACCOUNT</b>	36,595,143	38,477,441