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# **Glenmark Pharmaceuticals SA La Chaux-de-Fonds**

Financial Statements  
for the Year ended March 31, 2019  
and Report of the Statutory Auditor





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## Report of the Statutory Auditor

To the General Meeting of the Shareholders of  
**Glenmark Pharmaceuticals SA, La Chaux-de-Fonds**

### Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Glenmark Pharmaceuticals SA, which comprise the balance sheet, income statement, and notes for the year ended March 31, 2019.

### 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 March 31, 2019 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.



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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 draw attention to the fact that half of the share capital and legal reserves are no longer covered (article 725 para. 1 CO).

We recommend that the financial statements submitted to you be approved.

Geneva, August 21, 2019

**Grant Thornton AG**

Erich Bucher  
Audit Expert  
Auditor in charge

Moritz Herbst

Enclosures:

- Financial statements (balance sheet, income statement, and notes)



**Glenmark Pharmaceuticals SA**  
La Chaux-de-Fonds, Switzerland

**Balance sheet as at**

31.03.2019

31.03.2018

**Assets**

*(in Swiss francs)*

**Current assets**

**Cash and cash equivalents**

**2'835'247**

**1'720'272**

**Accounts receivable**

**11'127'024**

**4'825'148**

due from group companies

*11'127'024*

*4'910'819*

**Other current receivables**

**809'707**

**507'397**

**Inventories**

**448'768**

**456'270**

**Prepaid expenses and accrued income**

**996'417**

**90'929**

**Total current assets**

**16'217'163**

**7'600'016**

**Non-current assets**

**Financial assets**

**238'682**

**243'037**

**Investments**

**250'001**

**1**

**Property, plant and equipment**

**5'749'391**

**4'221'834**

**Intangible assets**

**177'205'721**

**165'992'906**

**Total non-current assets**

**183'443'795**

**170'457'778**

**Total assets**

**199'660'958**

**178'057'794**



**Glenmark Pharmaceuticals SA**  
La Chaux-de-Fonds, Switzerland

<b>Balance sheet as at</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
<b>Liabilities</b>		
	<i>(in Swiss francs)</i>	
<b><u>Short-term liabilities</u></b>		
<b>Accounts payable</b>	<b>93'611'244</b>	<b>59'931'664</b>
<i>due to third parties</i>	15'948'502	8'514'816
<i>due to group companies</i>	76'105'467	50'147'558
<i>due to shareholders</i>	1'557'275	1'269'290
<b>Short-term interest-bearing liabilities</b>	<b>159'797</b>	<b>151'265</b>
<i>due to third parties</i>	159'797	151'265
<b>Other short-term liabilities</b>	<b>80'796</b>	<b>321'856</b>
<b>Short-term provisions and accrued expenses</b>	<b>4'313'302</b>	<b>1'624'300</b>
<b>Total short-term liabilities</b>	<b>98'165'139</b>	<b>62'029'085</b>
<b><u>Long-term liabilities</u></b>		
<b>Long-term interest-bearing liabilities</b>	<b>82'965'451</b>	<b>80'585'560</b>
<i>due to third parties</i>	127'221	285'706
<i>due to shareholders</i>	82'838'230	80'299'854
<b>Other long-term liabilities</b>	<b>-</b>	<b>202'063'793</b>
<i>Subordinated loan from shareholder</i>	-	202'063'793
<b>Total long-term liabilities</b>	<b>82'965'451</b>	<b>282'649'352</b>
<b><u>Shareholders' equity</u></b>		
<b>Share capital</b>	<b>50'000'000</b>	<b>50'000'000</b>
<b>Legal capital reserves</b>	<b>1'500'000</b>	<b>1'500'000</b>
<i>Other capital reserves</i>	1'500'000	1'500'000
<b>Accumulated deficit for the year</b>	<b>(32'969'632 )</b>	<b>(218'120'643 )</b>
<i>Accumulated losses brought forward</i>	(218'120'643 )	(199'074'646 )
<i>Profit / (Loss) for the year</i>	185'151'011	(19'045'997 )
<b>Total shareholders' equity</b>	<b>18'530'368</b>	<b>(166'620'643 )</b>
<b>Total liabilities and shareholders' equity</b>	<b>199'660'958</b>	<b>178'057'794</b>



## Glenmark Pharmaceuticals SA

La Chaux-de-Fonds, Switzerland

### Profit and loss statement for the financial year ended

	31.03.2019	31.03.2018
	<i>(in Swiss francs)</i>	
Revenue from sales of goods and services	74'593'285	46'890'507
Costs of goods	(25'036'062 )	(9'607'208 )
<b>Gross profit</b>	<b>49'557'223</b>	<b>37'283'299</b>
Staff expenses	(16'485'845 )	(15'853'967 )
Administrative expenses	(272'558 )	(312'070 )
Depreciation and valuation adjustments	(31'899'397 )	(10'368'552 )
Research and Development expenses	(40'756'469 )	(37'690'683 )
<u>Other operating expenses</u>	(4'424'438 )	(3'154'993 )
Operating expenses	(93'838'707 )	(67'380'265 )
<b>Profit / (Loss) for the year before interest and taxes</b>	<b>(44'281'484 )</b>	<b>(30'096'965 )</b>
Financial income	1'242'623	16'367'341
Financial expenses	(21'780'953 )	(5'698'114 )
Non-operating income	332'476	383'024
Non-operating expenses	(19'085 )	(1'283 )
Extraordinary, non-recurring or prior-period income	249'657'434	-
<b>Profit / (Loss) for the year before taxes</b>	<b>185'151'011</b>	<b>(19'045'997 )</b>
Direct taxes	-	-
<b>Profit / (Loss) for the year</b>	<b>185'151'011</b>	<b>(19'045'997 )</b>



## Notes to the financial statements

### GLENMARK SIGNIFICANT ACCOUNTING POLICIES

- **Basis of preparation**

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013).

- **Foreign currency transactions**

Transactions in foreign currencies are converted into CHF at the prevailing exchange rate on the transaction date. Balance sheet items in foreign currency are converted using the year-end exchange rate. Exchange differences, except for unrealized gains which are deferred, are included in the determination of net income

- **Fixed assets (Property, plant and equipment )**

Fixed assets are stated at cost less accumulated depreciation and amortization.

The estimated useful lives are as follows:

- Factory and administrative buildings (leased)	5 years
- Plant and equipment	2.5 years
- Furniture, fixtures and office equipment	2.5 years
- Vehicles	2.5 years
- Computer equipment	2.5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- **Intangible assets**

*Research and development*

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably by project, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient technical financial and other resources to complete the development and to use or sell the asset.

The expenditures capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.



## **Notes to the financial statements**

The Company's internal drug development expenditures are capitalized only if they meet the recognition criteria as mentioned above. Where regulatory and other uncertainties are such that the criteria are not met, the expenditures are recognized in profit or loss as incurred. This is almost invariably the case prior to approval of the drug by the relevant regulatory authority. Where, however, the recognition criteria are met, intangible assets are capitalized and amortized on a straight-line basis over their useful economic lives from product launch.

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each balance sheet date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognized immediately in the income statement.

### *Other intangible assets*

Other intangible assets such as Brands that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

### *Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than for goodwill, intangible assets not available for use and intangible assets having indefinite life, from the date that they are available for use.

### **The estimated useful lives are as follows:**

- IP on Brands            5 years from acquisition
- Molecules             10 years from the date of the launch on the market

- **Impairment of assets**

The Company assesses at each Balance Sheet date whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. If the recoverable amount of the cash generating unit to which the assets belong is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is higher of the value in use and realizable value.

The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss.

If, at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

- **Revenue recognition**

All income whether for goods or services, operating or non-operating needs to be accounted for on accrual basis except for molecule sales which will be accounted on cash basis.



## Glenmark Pharmaceuticals SA

La Chaux-de-Fonds, Switzerland

### Notes to the financial statements

(in Swiss francs)

#### Details, analyses and explanations to the financial statements

The number of full-time equivalents did not exceed 250 on an annual average basis.

#### Inventories

CHF	31.03.2019	31.03.2018
Raw materials, consumables and supplies	448'768	456'270
<b>Total</b>	<b>448'768</b>	<b>456'270</b>

#### Property, Plant, and Equipment

The Property, Plant and Equipment net position in the balance sheet includes a Gross value of KCHF 28'982 and an Accumulated depreciation of KCHF 23'233.

#### Intangible assets

The intangible asset position in the balance sheet consists of Intellectual property rights in products for kCHF 28'335 and molecules under developments for kCHF 148'870.

#### Other operating expenses

CHF	31.03.2019	31.03.2018
Premises Rent, Maintenance & Energy	2'361'756	2'047'459
Travel expenses	1'361'492	609'698
Professional services	701'190	497'836
<b>Total</b>	<b>4'424'438</b>	<b>3'154'993</b>

#### Collateral for third-party liabilities

CHF	31.03.2019	31.03.2018
Deposit	238'682	243'037
<b>Total</b>	<b>238'682</b>	<b>243'037</b>

#### Pension liabilities

On 31st March 2019, there is no liability towards the pension fund scheme.

#### Lease liabilities (not terminable or expiring within 12 months of balance sheet date)

	Residual term (yrs)	31.03.2019	31.03.2018
AMAG Leasing		0	5'819

#### Group VAT

Glenmark Pharmaceuticals SA, Glenmark Holding SA, Glenmark Specialty SA and Glenmark Biotherapeutics SA are in the same VAT group and jointly responsible.

#### Going Concern

The Board of Directors will take the appropriate measures as to address the going concern according to article 725 CO by proceeding with the necessary capitalization of the entity within the next financial year.

#### Explanations of extraordinary, non-recurring or prior-period items in the profit and loss statement

As a result of a strategic objective undertaken by management, a decision was taken by the shareholding company, Glenmark Holding SA, to waive an amount of CHF 249'657'434 of the loans granted to the Company.

The total amount of the waived loan included an amount of CHF 202'063'793 which had been subordinated in prior year.