S.C. TERAPIA S.A.

FINANCIAL STATEMENTS

Prepared in accordance with
the Order of the Ministry of Public Finance no. 1802/2014
with subsequent amendments

31 MARCH 2018

DEPENDENT AUDITOR'S REPORT

To: The shareholders of Terapia SA

Opinion

1. We have audited the financial statements of **TERAPIA SA** ("the Company") which comprise the statement of financial position as at March 31 , 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summery of significant accounting policies.

2. In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at March 31, 2018 and its financial performance for the year than ended in accordance with OMFP nr. 1802/2014, inclueding all subsequent changes.

Basis for Opinion

3. We conducted our audit in accordance with the audit standards adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing. Our responsibilities under those 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other 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.

Other matters

4. This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

5. The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements including OMFP 1802/2014

Report on other Legal and Regulatory Requirements

6. The administrators are responsible for preparation and presentation of Administrator's Report in in accordance with the OMFP 1802/2014, articles 489-492, that are free from material misstatements, and for that internal control considered appropriate by management to allow preparation of Administrator's Report without material misstatements, due to fraud or error.

7. The Administrators' Report is not a part of the financial statements. Our opinion on the financial statements does not refer to the Administrator's Report.

8. In connection with our audit of individual financial statements, we have read the Administrators' Report incorporated enclosed to financial statements, and we report as follow:

   a) In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with information presented in the accompanying financial statements;

b) The Administrators' Report identified above, includes in all material respects, the information required by the OMFP 1802/2014, articles 489-492 (accounting regulation regarding individual financial statements and consolidated financial statements);

c) Based on our knowledge and understanding of the company gained during the audit of financial statements ended at March 31, 2018 we have not identified any information included into Administrators' Report that is material misstated.

Responsibility of management and those charged with governance for the financial statements

9. Management is responsible for the preparation of the financial statements in accordance with Ministry of Finance Order nr. 1802 / 2014, with subsequent changes, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

11. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

12. 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 the audit standards adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing, 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.

13. As part of an audit in accordance with the audit standards adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
   - Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if

such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

BDO AUDIT

Registered with the Chamber of Financial Auditors in Romania

No. 18/02.08.2001

Auditor:
Dan Apostol

Registered with the Chamber of Financial Auditors in Romania

No. 1671/25.06.2006

Cluj-Napoca, Romania
03.05.2018

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(all amounts are expressed in RON, unless specified otherwise)

Balance Sheet as at 31 March 2018
(in accordance with OMF 1802/2014)

-RON-

Element name	Row no,	Balance as of: The beginning of the year 01.04.2017	Balance as of: The end of the year 31.03.2018
A	B	2	3
A. NON-CURRENT ASSETS			
I. INTANGIBLE ASSETS			
1. Set-up costs (account 201-2801)	01	-	-
2. Development costs (account 203-2803-2903)	02	-	-
3. Concessions, patents, licenses, trademarks, similar rights and assets and other intangible assets (account 205+208-2805-2808-2905-2908)	03	165,504,416	140,870,847
4. Goodwill (account 2071-2807)	04	-	-
5. Intangible assets for exploration and evaluation of mineral resources (account 206-2806-2906)	05	-	-
6. Advance payments (account 4094)	06	-	-
TOTAL: (row 01 to 06)	**07**	**165,504,416**	**140,870,847**
II. TANGIBLE ASSETS			
1. Freehold land and buildings (account 211+212-2811-2812-2911-2912)	08	129,951,339	145,398,445
2. Plant and machinery (account 213+223--2813-2913)	09	45,083,824	48,493,519
3. Other plant, machinery and fixtures (account 214+224-2814-2914)	10	2,318,040	2,022,435
4. Real estate investments (account 215-2815-2915)	11	-	-
5. Tangible fixed assets in progress (account 231-2931)	12	4,591,728	891,074
6. Real estate investments in progress (account 235-2935)	13	-	-
7. Tangible assets for exploration and evaluation of mineral resources (account 216-2816-2916)	14	-	-
8. Productive biological assets (account 217+227-2817-2917)	15	-	-
4. Advance payments (account 4093)	16	1,127,152	10,655
TOTAL: (row 08 to 16)	**17**	**183,072,083**	**196,816,128**
III. LONG-TERM FINANCIAL INVESTMENTS			
1. Investments in subsidiaries (account 261-2961)	18	-	-
2. Loans to subsidiaries (account 2671+2672-2964)	19	-	-
3. Investments in associates and jointly controlled entities (account 262+263-2962)	20	-	-
4. Loans granted to entities related to the company on the grounds of investments in associates and jointly controlled (account 2673 + 2674 - 2965)	21	-	-
5. Investments owned as assets (account 265+266-2963)	22	-	-
6. Other loans (account 2675+2676+2677+2678+2679-2966-2968)	23	41,861	36,604
TOTAL: (row 18 to 23)	**24**	**41,861**	**36,604**
TOTAL NON-CURRENT ASSETS (row 07+17+24)	**25**	**348,618,360**	**337,723,579**
B. CURRENT ASSETS			
I. INVENTORIES			
1. Raw materials and consumables (account 301+321+302+322+303+323+/-308+351+358+381+328+/-388-391-392-3951-3958-398)	26	21,923,176	19,373,872

(all amounts are expressed in RON, unless specified otherwise)

Element name	Row no,	Balance as of	
		The beginning of the year 01.04.2017	The end of the year 31.03.2018
A	B	2	3
2. Work in progress (account 331+332+341+/-348-393-3941-3952)	27	2,998,994	4,620,877
3. Finished goods and merchandise (account 345+346+/-348+354+356+357 +361+326+/-368+371+327+/-378-3945-3946-3953-3954-3956-3957-396-397-4428)	28	52,451,505	38,122,832
4. Advance payments for the acquisition of inventories (account 4091)	29	872,350	376,266
TOTAL (row 26 to 29)	**30**	**78,246,025**	**62,493,847**
II. RECEIVABLES			
1. Trade receivables (account 2675+2676+2678+2679-2966-2968+4092+411+413 +418-491)	31	214,602,208	252,228,773
2. Receivables from non-consolidated associated companies (account 451-495)	32	60,000,796	45,126,328
3. Receivables from other equity investments (account 453-495)	33	-	-
4. Other receivables (account 425+4282+431+437+4382+441+4424+ 4428+444+445+446+447+4482+4582+461+473-496+5187)	34	3,415,540	7,364,985
5. Subscribed and not paid in share capital (account 456-495)	35	-	-
TOTAL (row 31 to 35)	**36**	**278,018,544**	**304,720,086**
III. SHORT TERM INVESTMENTS			
1. Investments in subsidiaries (account 501-591)	37	-	-
2. Other short term investments (account 505+506+508-595-596-598+5113+5114)	38	-	-
TOTAL (row 37 to 38)	**39**	**-**	**-**
IV. PETTY CASH AND BANK ACCOUNT BALANCES (account 5112+512+531+532+541+542)	**40**	**194,029,187**	**329,127,996**
CURRENT ASSETS - TOTAL (row 30+36+39+40)	**41**	**550,293,756**	**696,341,929**
C. ACCRUED EXPENSES (account 471) (row 43+44)	**42**	**601,127**	**561,279**
Amounts taken over a period of up to 1 year	43	601,127	561,279
Amounts taken over a period of more than 1 year	44	-	-
D. LIABILITIES: AMOUNTS DUE WITHIN ONE YEAR			
1. Debenture loans (account 161+1681-169)	45	-	-
2. Amounts owed to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+ 5198)	46	-	-
3. Advance payments received for orders (account 419)	47	34,464	5,947
4. Trade debts – suppliers (account 401+404+408)	48	46,014,409	49,836,966
5. Bills of exchange payable (account 403+405)	49	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	50	45,845,222	31,773,091
7. Amounts due to other equity investments (account 1663+1686+2692+453)	51	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+ 423+424+426+427+4281+431+437+4381+441+4423+ 4428+444+446+447+4481+455+456+457+4581+ 462+473+509+5186+5193+5194+5195+5196+5197)	52	33,085,283	32,805,228
TOTAL: (row 45 to 52)	**53**	**124,979,378**	**114,421,232**

(all amounts are expressed in RON, unless specified otherwise)

Element name	Row no,	Balance as of	
		The beginning of the year 01.04.2017	The end of the year 31.03.2018
A	B	2	3
E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41+43-53-70-73-76)	**54**	**425,086,080**	**581,659,025**
F. TOTAL ASSETS LESS CURRENT LIABILITIES (row 25+44+54)	**55**	**773,704,440**	**919,382,604**
G. LIABILITIES: AMOUNTS DUE AFTER ONE YEAR			
1. Debenture loans (account 161+1681-169)	56	-	-
2. Amounts payable to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+5198)	57	-	-
3. Advance payments received for orders (account 419)	58	-	-
4. Trade debts – suppliers (account 401+404+408)	59	-	-
5. Bills of exchange payable (account 403+405)	60	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	61	-	-
7. Amounts due to other equity investments (account 1663+1686+2692+453)	62	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+ 423+424+426+427+4281+431+437+4381+441+4423+ 4428+444+446+447+4481+455+456+457+4581+ 462+473+509+5186+5193+5194+5195+5196+5197)	63	-	-
TOTAL: (row 56 to 63)	**64**		
H. ACCRUED LIABILITIES			
1. Accrued for employee benefits (account 1515+1517)	65	1,019,275	623,539
2. Accrued taxes payable (account 1516)	66	8,329,916	8,021,504
3. Other accrued liabilities and provisions (account 1511+1512+1513+1514+1518)	67	31,399,828	26,164,844
TOTAL ACCRUED LIABILITIES & PROVISIONS (row 65 to 67)	**68**	**40,749,019**	**34,809,887**
I. DEFERRED INCOME			
1. Investment subsidies (account 475) (row 70+71)	69	9,883,803	9,078,498
Amounts to be retaken in a period under a year (account 475)	70	829,425	822,951
Amounts to be retaken in a period over a year (account 475)	71	9,054,378	8,255,547
2. Deferred income (account 472) - total (row 73+74) of which:	72	-	-
Amounts to be retaken in a period under a year (account 472)	73	-	-
Amounts to be retaken in a period over a year (account 472)	74	-	-
3. Deferred income related to assets received from customers transfer (ct.478) (row 76+77)	75	-	-
Amounts to be retaken in a period under a year (account 478)	76	-	-
Amounts to be retaken in a period over a year (account 478)	77	-	-
Negative goodwill (account 2075)	78	-	-

(all amounts are expressed in RON, unless specified otherwise)

Element name		**Row no,**	**Balance as of**	
			The beginning of the year 01.04.2017	**The end of the year 31.03.2018**
A		**B**	**2**	**3**
TOTAL (row 69+72+75+78)		**79**	**9,883,803**	**9,078,498**
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Subscribed and paid in capital (account 1012)		80	25,021,355	25,021,355
2. Subscribed and not paid in capital (account 1011)		81	-	-
3. Patrimony (autonomous companies) (account 1015)		82	-	-
4. Patrimony of national research and development institutes (account 1018)		83	-	-
5.Other equity (account 1031)		84	-	-
TOTAL (row 80 to 84)		**85**	**25,021,355**	**25,021,355**
II. PREMIUMS RELATED TO CAPITAL (account 104)		**86**	**372,838**	**372,838**
III. REVALUATION RESERVE (account 105)		**87**	**94,651,092**	**114,580,541**
IV. OTHER RESERVES				
1. Legal reserve (account 1061)		88	8,617,940	8,617,940
2. Statutory or contractual capital reserve (account 1063)		89	-	
3. Other reserves (account 1068)		90	23,633,873	29,963,220
TOTAL (row 88 to 90)		**91**	**32,251,813**	**38,581,160**
Own shares (account 109)		92	-	-
Gains on own equity instruments (account 141)		93	-	-
Losses on own equity instruments (account 149)		94	-	-
V. PROFIT / (LOSS) BROUGHT FORWARD (account 117)	**Balance C**	**95**	**438,465,103**	**572,153,425**
	Balance D	**96**	**-**	**-**
VI. PROFIT / (LOSS) FOR THE YEAR (account 121)	**Balance C**	**97**	**136,338,432**	**132,747,939**
	Balance D	**98**	**-**	**-**
Profit appropriation (account 129)		99	3,199,590	6,329,347
TOTAL EQUITY (row 85+86+87+91-92+93-94+95-96+97-98-99)		**100**	**723,901,043**	**876,317,170**
Public patrimony (account 1016)		101		
Private patrimony (account 1017)		102		
TOTAL CAPITAL (row 100+101+102) (row 25+41+42-53-64-68-79)		**103**	**723,901,043**	**876,317,170**

ADMINISTRATOR, Dragoş Eugen Damian

ECONOMIC MANAGER, Bogdan Lucian Crăciunaş

(all amounts are expressed in RON, unless specified otherwise)

Profit and loss account for the year ended 31 March 2018
(in accordance to OMF 1802/2014)

	INDICES	Row no,	Financial year	
			Previous	Current
	A	B	1	2
1.	**Net turnover (row 02 +03-04+ 05+06)**	**01**	**593,574,177**	**686,251,308**
	Sales of produced goods (account 701+702+703+704+705+706+708)	02	475,852,518	475,536,196
	Sales of goods purchased for resale (account 707)	03	262,487,436	372,798,702
	Trade discounts granted (account 709)	04	144,765,777	162,083,590
	Interest income of entities cancelled from the General Register and which have leasing contracts in progress (account766)	05	-	-
	Subsidies related to the net turnover (account 7411))	06	-	-
2.	Inventories variation (account 711) Balance C	07	1,517,143	-
	Balance D	08	-	9,733,297
3.	Own production capitalized (account 721+722)	09	-	-
4.	Income from revaluation of tangible assets (account 755)	10	16,061	77,562
5.	Real estate investments production income (account 725)	11	-	-
6.	(account 7412+7413+7414+7415+7416+7417+7419)	12	-	-
7.	Other operating income (account 751+758+7815)	13	7,382,936	5,138,820
	- out of which income from negative goodwill	14	-	-
	- out of which income from investment subsidies	15	849,758	831,617
	TOTAL OPERATING REVENUES (row 01+07-08+09+10+11+12+13)	16	**602,490,317**	**681,734,393**
8.	a) Expenses related to raw materials and consumables (account 601+602)	17	80,934,360	77,616,789
	Other material expenses (account 603+604+606+608)	18	5,406,349	5,254,016
	b) Other utilities expenses (electricity, heating and water) (account 605-7413)	19	3,663,799	3,554,123
	Expenses regarding goods for resale (account 607)	20	105,798,310	150,445,436
	Trade discounts received (account 609)	21	2,137,009	6,465,076
9.	Personnel expenses (row 23+24)	22	78,899,105	81,612,406
	a) Salaries (account 641+642+643+644)	23	64,777,910	71,576,247
	b) Expenses related to social security contributions (account 645)	24	14,121,195	10,036,159
10.	a) Value adjustment related to tangible and intangible assets (rd.26-27)	25	34,766,645	37,937,450
	a.1) Expenses (account 6811+6813+6817)	26	40,390,823	37,937,450
	a.2) Revenues (account 7813)	27	5,624,178	-
	b) Value adjustment for current assets (row 29-30)	28	6,066,752	(1,503,394)
	b.1) Expenses (account 654+6814)	29	17,647,984	8,486,076
	b.2) Revenues (account 754+7814)	30	11,581,232	9,989,470
11.	Other operating expenses (row 32 la 38)	31	149,634,981	184,576,739
	11.1. Third party services expenses (account 611+612+613+614+621+623+624+625+627+628)	32	86,464,611	117,714,419
	11.2 Other taxes, duties and similar expenses (account 635+6586)	33	51,699,572	53,983,560
	11.3 Compensations, gifts and assets disposed (account 652)	34	871,541	871,026
	11.4 Expenses from revaluation of tangible assets (account 655)	35	72,944	260,171
	11.5 expenses related to calamities and other similar events	36	-	-
	11.6 Other expenses (account 651+6581+6582+6583+6588)	37	10,526,313	11,747,563
	Expenses related to refinancing interests of entities cancelled from the General Register and which still have leasing contracts in progress (account 666)	38	-	-
	Adjustments related to provisions (rd.40-41)	39	(12,620,209)	(5,939,132)
	Expenses (account 6812)	40	175,647	398,651

(all amounts are expressed in RON, unless specified otherwise)

	INDICES	Row no,	Financial year	
			Previous	Current
	A	B	1	2
	Revenues (account 7812)	41	12,795,856	6,337,783
	TOTAL OPERATING EXPENSES (row 17 to 20-21+22+25+25+31+39)	**42**	**450,413,083**	**527,089,357**
	OPERATING PROFIT OR LOSS:			
	Profit(row 16-42)	**43**	**152,077,234**	**154,645,036**
	Loss(row 42-16)	**44**	-	
12.	Revenues from investments (account 7611+7612+7613)	45		
		46		
13.	Interest income (account 766)	47	458,499	1,641,516
	- from which, income from associates	48		
14.	Revenues from subsidies for interest due (account 7418)	49		
15.	Other financial income (account 762+764+765+767+768)	50	14,521,260	11,069,673
	- from which, income from other financial assets	51		
	TOTAL FINANCIAL REVENUES (ROW 45+47+49+50)	**52**	**14,979,759**	**12,711,189**
16.	Value adjustments regarding financial assets and current asset investments (row 54-55)	53	-	-
	- expenses (account 686)	54	-	-
	- income (account 786)	55	-	-
17.	Interest expense (account 666)	56		-
	- of which, expenses related to associated companies	57	-	-
	Other financial expenses (account 663+664+665+667+668)	58	8,152,736	14,300,140
	TOTAL FINANCIAL EXPENSES (row 53+56+58)	**59**	**8,152,736**	**14,300,140**
	FINANCIAL PROFIT OR LOSS			
	Profit (row 52-59)	**60**	**6,827,023**	**-**
	Loss (row 59-52)	**61**	**-**	**1,588,951**
	TOTAL REVENUES (row 16+52)	**62**	**617,470,076**	**694,445,582**
	TOTAL EXPENSES (row 42+59)	**63**	**458,565,819**	**541,389,497**
	PROFIT OR LOSS BEFORE TAX			
	Profit (row 62-63)	**64**	**158,904,257**	**153,056,085**
	Loss (row 63-62)	**65**		
18.	**INCOME TAX (account 691)**	**66**	**22,565,825**	**20,308,146**
19.	Other tax expenses not included above (account 698)	67		
20.	**NET PROFIT OR LOSS FOR THE YEAR**			
	Profit (row 64-65-66-67)	**68**	**136,338,432**	**132,747,939**
	Loss (row 65+66+67-64)	**69**		

ADMINISTRATOR, Dragoş Eugen Damian

ECONOMIC MANAGER, Bogdan Lucian Crăciunaş

(all amounts are expressed in RON, unless specified otherwise)

Cash flow Statement
for the year ended 31 March 2018

	12 month period ended at 31.03.2017	12 month period ended at 31.03.2018
OPERATING ACTIVITIES		
Net profit before taxation and extraordinary items	**158,904,257**	**153,056,085**
Adjustments for:		
Loss / profit on disposal of fixed assets	5,372,251	(99,508)
Impairment, depreciation and amortization	40,390,823	37,937,450
Movement in provisions for fixed assets	(5,567,295)	182,610
Movements in provisions	(12,620,209)	(5,939,132)
Net loss/profit from interest	(458,499)	(1,641,516)
Movements in provision for current assets	6,066,752	(1,503,394
Income from subsidies and unclame dividends	(2,191,891)	(4,724,563)
The effect of foreign exchange rate changes on assets and liabilities	-	-
Operating profit before changes in working capital	**189,896,189**	**177,268,032**
Decrease/(Increase) in trade and other receivables	(24,960,601)	(24,922,479)
Decrease/(Increase) in inventories	(6,498,668)	15,600,702
(Decrease) / Increase in trade and other liabilities	1,164,212	(2,444,591)
Interest paid	(812,802)	-
Corporate income tax paid	(25,751,069)	(24,472,802)
Cash generated from operating activities	**133,037,261**	**141,028,862**
INVESTMENT ACTIVITIES		
Payments for the acquisition of tangible and intangibles assets	(13,558,585)	(7,148,431)
Proceeds from the disposal of fixed assets	297,074	496,332
Interest received	458,499	1,641,516
Redemption of own shares	-	(810,741)
Cash generated from investing activities	**(12,803,012)**	**(5,821,324)**
FINANCING ACTIVITIES		
Loan repayment	-	-
Grants received	-	-
Dividends paid	(66,883)	(108,729)
Loans received	-	-
Cash generated from financing activities	**(66,883)**	**(108,729)**
Increase / (decrease) in cash and cash equivalent	120,167,366	135,098,809
Cash and cash equivalent at 1 April	**73,861,821**	**194,029,187**
Cash and cash equivalents at 31 March	**194,029,187**	**329,127,996**

ADMINISTRATOR,
Dragoş Eugen Damian

DIRECTOR ECONOMIC,
Bogdan Lucian Crăciunaş

(all amounts are expressed in RON, unless specified otherwise)

Statement of Changes in Equity
for the year ended 31 March 2018

Elements of shareholders' equity		Balance as at 01.04.2017	Increase		Decrease		Balance as at 31.03.2018
			TOTAL, out of which	From transfer	TOTAL, out of which	From transfer	
0		1	2	3	4	5	6
Share capital		25,021,355	-	-	-	-	25,021,355
Share premium		372,838	-	-	-	-	372,838
Revaluation reserve		94,651,092	20,478,929	-	549,480	549,480	114,580,541
Legal reserve		8,617,940	-	-	-	-	8,617,940
Statutory or contractual reserves		-	-	-	-	-	-
Other reserves		23,633,873	6,329,347	6,329,347	-	-	29,963,220
Own shares		-	810,741	-	-	-	810,741
Earnings related to shareholders equity instruments		-	-	-	-	-	-
Losses related to shareholders equity instruments		-	-	-	-	-	-
Retained earnings representing undistributed accumulated profit or accumulated losses	Cr Balance	387,981,880	133,138,842	133,138,842	-	-	521,120,722
	Dr Balance	-	-	-	-	-	-
Loss from merger	Cr Balance	-	-	-	-	-	-
	Dr Balance	-	-	-	-	-	-
Effect of first time adoption of IFRS, except for IAS 29	Cr Balance	5,935,237	-	-	-	-	5,935,237
	Dr Balance	-	-	-	-	-	-
Retained result from correction of accounting errors	CrBalance	664,608	-	-	-	-	664,608
	DrBalance	-	-	-	-	-	-
Retained result representing the revaluation reserve surplus	CrBalance	48,664,691	549,480	549,480	-	-	49,214,171
	DrBalance	-	-	-	-	-	-
Retained result from the application of accounting regulations according to the forth Directive of the European Commission	CrBalance	-	-	-	-	-	-
	DrBalance	4,781,313	-	-	-	-	4,781,313
Profit or loss for the year	CrBalance	136,338,432	132,747,939	-	136,338,432	136,338,432	132,747,939
	DrBalance						
Profit distribution		3,199,590	6,329,347	6,329,347	3,199,590	3,199,590	6,329,347
TOTAL		**723,901,043**	**286,104,449**	**133,688,322**	**133,688,322**	**133,688,322**	**876,317,170**

Equity amounting to RON 876,317,170 has increased during the year 2017 with the amount of RON 152,416,127. This evolution is due to:

- the net profit of the year amounting to RON 132,747,939;
- increase of the revaluation reserve in amount of RON 20,478,929;
- decrease due to the redemption of own shares in the amount of RON 810,741.

For conformity, the references to the Order 1802/2014 have to be understood as comprising its subsequent amendments introduced by normative regulations of the Ministry of Public Finance.

ADMINISTRATOR,	**ECONOMIC MANAGER,**
Dragoş Eugen Damian	Bogdan Lucian Crăciunaş

Notes to the financial statements as of 31.03.2018

These financial statements were prepared by SC Terapia SA (the "Company") for the year ended the 31 March 2017. These financial statements were prepared in accordance with the Law on Accounting no. 82/1991 republished, the Order of the Ministry of Public Finance no. 1802/2014 for approving the accounting regulations regarding the individual and consolidated annual financial statements („OMFP 1802/2014").

SC Terapia SA opted for a financial year different than the calendar year, the financial year starts on 1 April and ends on 31 March.

These financial statements of SC Terapia SA are prepared for a financial year different than the calendar year and refer to the period 01.04.2017-31.03.2018.

NOTE 1: General information

General information regarding the Company:

SC Terapia SA is a Romanian Company, part of the Sun Pharmaceutical Industries Limited since 25 March 2015, engaged in the production of pharmaceutical products.

The Company's headquarters are located at 124 Fabricii Street, Cluj- Napoca, Romania.

The Company has the following branches:

- Cluj Napoca, B.dul Muncii no. 10 – business offices;
- Bucharest, Splaiul Unirii , no, 313 – manufacturing site – without operating activity;
- Pata Rat no. FN, county Cluj – residual products warehouse;
- Bucharest, B.dul Dimitrie Pompeiu no, 9 – 9A –business offices;
- Other offices in: Iasi, Brasov, Timisoara, Constanta, Craiova, Galaţi,

The main shareholder is Sun Pharma (Netherlands) B.V., a limited liability company, organized under Dutch laws, with headquarters at Polarisavenue 87, 2132JH HOOFDDORP, Amsterdam, Netherlands, and is registered with the Trade Registry in Amsterdam under registration number 33254757.

Sun Pharma (Netherlands) B.V. is part of Sun Pharmaceutical Industries Limited since 25 March 2015.

The first consolidation is analysed at the level of Sun Pharma (Netherlands) B.V. which owns the majority of the share capital of Terapia SA.

The next level of consolidation is at Sun Pharmaceutical Industries Limited (Parent Company) Mumbai.

NOTE 1: General information (continued)

Management structure as of 31 March 2018:

At the end of the year, the Company's Management consisted of the following individuals:

Position	Name
General Manager	Damian Dragoş-Eugen
Financial Manager	Arora Hemant
Human Resources Manager	Kaupert Erika
Economic Manager	Crăciunaş Bogdan - Lucian
Operations Manager	Chiorean Adrian Alexandru
Commercial Manager	Ungureanu Bogdan Alin

Members of the Board of Directors as of 31 March 2018:

Name	Position
Damian Dragoş-Eugen	President
Savla Prashant Lakhamshi	Member
Mehta Harin Parmanand	Member
Kaszas Mihaly	Member
Shah Kalpesh Rashmikant	Member

The audit fees for 2017 amount to RON 148,093, from which RON 60,720 are due for Statutory Financial Audit.

NOTE 2: Accounting principles, policies and methods

A. ACCOUNTING PRINCIPLES

The elements included in the annual financial statements are evaluated in compliance with the following general accounting principles, according to the accrual basis of accounting. These principles are outlined below:

1. The going concern principle – this principle assumes that the Company will continue its normal operations, without initiating a dissolution procedure or significantly reducing its activity.

2. The consistency principle – this principle assumes that the Company applies consistently the same rules and standards regarding assessment, recording into accounting and presentation of assets, liabilities and results, ensuring the comparability over time of the accounting information presented.

3. The prudence principle – this principle that assumes that the Company in its assessment of the various accounting estimates made must follow a conservative approach and especially:

   - Only the realized profit up to the balance sheet date may be reflected in its results;

   - All known debts during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;

   - All foreseeable duties and potential losses that appeared during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;

   - All value adjustments caused by impairment must be taken into account, irrespective of whether the result for the financial year is a loss or a profit.

4. The accrual aacounting principle. Revenues and expenses related to the financial year are recognized, regardless of the date of collection or payment of these revenues or expenses.

5. The separate assessment principle of the assets and liabilities. According to this principle, separable assets or liabilities must be assessed separately.

6. The intangibility principle. The opening balance sheet for every financial year must correspond to the closing balance sheet of the previous financial year.

7. The non-compensation principle. Any compensation between individual assets and liabilities or between revenues and expenses is prohibited, possible compensations between receivables and payables of the entity towards the same entity may be effected, observing the relevant provisions of the laws, only after recording in the accounting records the entire value of the related revenues and expenses.

NOTE 2: Accounting principles, policies and methods (continued)

8. Accounting and presentation of balance sheet and income statement items taking into account the economic substance of the transaction or of the commitment. This requires that economic transactions to be accounted for in accordance with economic reality, putting out rights and obligations/liabilities, and risks associated with these operations.

9. The principle of valuation at acquisition cost or production cost. The items in the financial statements usually are assessed at acquisition cost or production cost. The accounting regulations provide situations where this principle can not be respected.

10. The materiality principle. Any element that has a significant value must be separately presented in the financial statements.

The financial statements were prepared and presented in accordance with the above mentioned principles.

B. SIGNIFICANT ACCOUNTING POLICIES

Reference currency

The financial statements are presented in RON.

Rounding of the amounts presented was made to plus or minus 1 RON based on two decimals.

Basis of preparation

These standalone financial statements of the Terapia SA were prepared in accordance with the Order of the Ministry of Public Finance no. 1802/2014, modified and completed and in accordance with the Accounting Law 82/1991 (republished).

According to the requirements of OMF 1802/2014, these financial statements were prepared in accordance with the applicable requirements of the Romanian laws and regulations.

The source accounting records, on which these financial statements are based, are maintained in RON using the historic cost basis, except where specifically mentioned in the accounting policies on a fair value basis.

The company opted for a financial year different than the calendar year, the financial year begins on April 1 and ends on March 31. The Company prepared these financial statements for 12 months ended at 31.03.2018, using the trial balance which is in compliance with the regulations outlined above.

These financial statements comprise of:
- Balance sheet;
- Profit and loss account;
- Statement of changes in equity;
- Cash flow statement and
- Explanatory notes.

NOTE 2: Accounting principles, policies and methods (continued)

Translation of amounts denominated in foreign currency

Transactions denominated in foreign currency made by the Company are registered in RON at the rate of exchange in force at the date of the transaction.

Exchange rate differences resulting from these transactions and from the translation of assets and liabilities denominated in foreign currency are presented in the profit and loss account. These balances are translated into RON at the rate of exchange in force at the balance sheet date, as published by the National Bank of Romania.

As of 31.03.2018, the exchange rates for conversion of balances expressed in foreign currency were 1 USD = 3.7779 RON, 1 EUR = 4.6576 RON, 1 GBP = 5.3090 RON, 1 PLN = 1.1066 RON, 1 CHF = 3.9632 RON and 1 RUB = 0.0658 RON.

Comparative statements

For each element of the balance sheet, profit and loss account and the related explanatory notes to the financial statements, where considered necessary, the values of the corresponding elements for the previous financial year are presented.

If the values for the prior period are not comparable with the ones of the current year, this aspect is presented and explained in the explanatory notes.

Tangible fixed assets

Tangible fixed assets are initially recorded at their acquisition cost, production cost, contribution value or fair value, as the case may be, depending of the way of entrance into the company.

The Group recognizes as tangible fixed assets those assets which are intended for use on a continuing basis and which have an entry value established by law.

Tangible fixed assets are presented in the balance sheet at cost less accumulated depreciation and impairment, if applicable.

Revaluations are made with sufficient regularity such that the book value does not differ from the fair value at the balance sheet date.

Tangible fixed assets that are disposed in the year are eliminated from the balance sheet together with the corresponding accumulated depreciation.

Gains or losses resulting from the disposal of a tangible fixed asset are determined as the difference between the disposal proceeds and their unamortized value, including the disposal costs, and are presented in the profit and loss account under revenues or expenses, as applicable.

Subsequent expenses corresponding to a tangible fixed asset are generally recognized as an expense in the period in which they are incurred.

NOTE 2: Accounting principles, policies and methods (continued)

Significant improvements (modernizations) are capitalized if they extend the useful life of the asset, or significantly increase the estimated economic benefits to be derived from the use of these assets in the future.

Repairs and minor improvements are recognized in the profit and loss account as incurred.

Land and buildings owned by the company are presented at fair value which is equal with the market value. The accounting of land is held on two categories: land and land improvement.

Tangible assets in progress represent investments in progress carried out under the own administration or by contract. They are valued at the production costs or the acquisition cost, as the case may be.

The tangible assets in progress are included under the category of assets completed after taking over, commissioning or putting into operation thereof, as the case may be.

Depreciation

The depreciation of tangible fixed assets is calculated using the straight-line method, starting from the month following their commissioning, so that the cost or the value of the assets may be expensed over their entire estimated useful lives.

The useful lives established for different tangible fixed assets categories are presented in the following table:

Category	**Years**
Buildings	10-50
Technological equipment	3-20
Measurement, control, regulation devices and installations	3-15
Vehicles	3-15
Furniture, office equipment, other tangible fixed assets	3-10

The depreciation period and the remaining useful lives of the tangible fixed assets are reviewed periodically in order to ensure that they are consistent with the estimated flow of the economic benefit resulting from their usage.

Land is not depreciated, Land improvements depreciate on a period of 10 years from the date of the reception.

Revaluation

Revaluation of tangible fixed assets is carried using their fair market value, as of the balance sheet date, by qualified valuation experts.

Revaluation is carried out on a regular basis, so that the accounting value of tangible fixed assets will not differ substantially from that which would be determined using their fair value as of the balance sheet date.

NOTE 2: Accounting principles, policies and methods (continued)

At the revaluation of a tangible asset, the accumulated depreciation at the revaluation date is eliminated from the asset gross book value and the net value, assessed further to the correction by the value adjustments, is recomputed at the asset revaluated value.

Intangible assets

Intangible assets are recognized when the realization of future economic benefits by the Company is probable and the asset's cost may be accurately assessed.

Intangible assets are initially recorded at their acquisition or production cost. Following initial recognition, intangible assets are presented in the balance sheet at their original cost, less accumulated amortization and impairment, if applicable.

An intangible asset reported initially as an expense will not be recognized afterwards as a part of the cost of an intangible asset.

Subsequent expenses corresponding to an intangible fixed asset and also the writing off or the demise of the intangible assets follow the rules of tangible assets.

Intangible assets comprise:

- set up costs;
- development costs;
- concessions, patents, licenses, trademarks, similar rights and assets, except for those created inside the entity;
- goodwill;
- other intangible assets;
- pre-payments.

The intangible assets of the Company include manufacturing patents (product dossiers) and software.

New software is capitalized at its acquisition cost, provided that the software component is not included with the cost of the respective hardware.

Intangible assets depreciation

Intangible assets are depreciated on a linear basis on the useful life time specified for each category of intangible assets. The useful life time is established for each category of intangible assets. The period and the depreciation method are reviewed at the end of each financial year.

The software is depreciated on a linear basis on the useful life time estimated, but no more than 3 years.

The fabrication licenses are depreciated on a linear basis on a period between one and five years depending on the value of the intangible asset, starting from the date of obtaining marketing authorization, as follows:

- 1 year for licenses worth up to $ 10,000 per product;
- 2 years for licenses worth between $ 10,001 and $ 20,000 per product;

NOTE 2: Accounting principles, policies and methods (continued)

- 3 years for licenses worth between 20,001$ and 30,000$ per product;
- 4 years for licenses worth between 30,001$ and 50,000$ per product;
- 5 years for licenses with values exceeding $ 50,001 per product.

The Company holds a Ketanov IP, purchased from a group company, which is depreciated over a period of 117 months according to the evaluation report made by an independent valuer.

The set up costs are depreciated on a maximum period of 5 years.

The development costs are depreciated on the contract period or on the utilization period, as the case may be.

The concessions are depreciated on the usage period established by the contract.

When the goodwill is treated as an asset – in the terms established by the applicable accounting regulations - we have to consider the following constraints:

a) goodwill is depreciated on a period of maximum five years;

b) nonetheless, in exceptional cases, when the life of the goodwill can not be estimated reliably, the entity can depreciate the goodwill in a systematic way over a period of up to 10 years.

Licenses and goodwill are tested for impairment at the end of each year.

Financial investments

The financial assets comprise the shares in affiliated companies, the loans granted to affiliated companies, the participating interests, the loans granted to companies with which the company in cause is connected in virtue of participating interests, other investments held as assets, other loans.

Warranties, deposits and any security filled by the entity to the third-parties are recognized to other receivables.

At balance sheet date, the company recognizes in financial assets, the other receivables with maturity less than 12 months, the difference is recognized in receivables.

The financial assets which are recognized as assets shall be evaluated at the acquisition cost or the value assessed by the contract of acquiring thereof.

Financial assets shall be disclosed in the balance sheet at the entry value, less the cumulated adjustments for the loss in value.

CURRENT ASSETS

Acknowledgment and valuation of current assets

An asset is classified as a current asset under the following conditions:

a) is acquired or produced for own use or for sale in the normal operating cycle of the entity;
b) is held, mainly, for the purpose of trading;
c) is expected to be realized in a period of 12 months from the balance sheet date;
d) is represented by non-restricted cash or cash equivalents.

NOTE 2: Accounting principles, policies and methods (continued)

Current assets must be valued at their acquisition cost or production cost, as the case may be, and respecting the paragraph below.

The adjustments in the value of current assets are made for the purpose of their presentation at the smallest market value or, under special circumstances, at another minimum value which can be assigned at the balance sheet date.

Inventories

At the entry in the company, the stocks are valued at the acquisition cost. The cost of stocks must include all costs related to the acquisition and processing, as well as other costs incurred to bring the stocks under the current shape and at the location where they are.

Raw materials and consumables are valued at acquisition cost,

The finished goods are registered during the month at standard cost. At the end of the reporting period it is being calculated the effective cost of production. The differences between the standard cost and the effective cost of the finished goods are registered in differences accounts so the finished goods are registered in the trial balance and the balance sheet at the effective cost.

The selling or the consumptions of the finished goods is done at the effective cost, using WAC (Weighted average cost) method. The differences for the articles that go out are established as the difference between the value of the products out at standard cost and the value of the products out at effective cost.

The semi-finished goods are registered during the month at standard cost. At the end of the reporting period the effective cost of semi-finished goods is being calculated; the procedure is similar with the one for finished goods.

Work in progress refers to the orders begun and unfinished at the end of the month. Work in progress is registered during the month at standard cost. At the end of the reporting period is calculated the effective production cost of each stage of manufacturing of each order that compose the work in progress. At the end of the month, the work in progress is recorded at effective production cost, similar to finished goods and semi-finished goods.

The standard cost consists of indirect costs on the product from the previous period, based on information obtained after the allocations of cost and current consumption of raw materials and packaging materials as manufacturing recipes.

The production cost of the finished goods and semi-finished goods contains:
- direct production costs (raw materials and consumables, according to the manufacturing recipes);
- indirect production costs which refer to any expenses that compete indirectly to obtain the finished goods, namely: salaries and related taxes, depreciation, maintenance and repair services, utilities, and other services provided by third parties.

The merchandise represents goods that are purchased with the purpose of being sold and are registered at acquisition cost.

Also, other assets can be presented in the inventories if they meet the requirements for recognition established by the accounting regulations.

NOTE 2: Accounting principles, policies and methods (continued)

At the selling or the consumption, the inventories are valued in accounting using the method “weighted average cost” (WAC).

At the balance sheet date the inventories are valued at net realizable value. For this purpose, when it is the case, in accounting are reflected the adjustments for depreciation of value.

The value of inventory write-offs is calculated as follows:

1. Expired & Near Expiry Stock

All those inventory items which are expired as on valuation date and which will expire in next 180 days will be provided at 100% of Stock Value.

2. Discarded & Rejected Stock

All those inventory items which are identified as discarded / rejected expired as on valuation date will be provided at 100% of Stock Value.

3. Non – Moving Stock

All those inventory items which are not consumed / sold during 365 days preceding the date of valuation will be identified based on Specific Identification Method and will be provided at 100% of Stock Value.

When the company’s management considers that there exists a supplementary risk related to inventories, risk which is not covered by the adjustments mentioned above, a supplementary value adjustment will be recognised.

For finished goods and goods for resale a supplementary value adjustment is recognised, if it is needed, so that these inventories to be recognized at net realizable value.

As for purchased goods in foreign currency, that are accompanied by an invoice or a transfer document, for which the invoice will come afterwards, the exchange rate used for accounting registration is the one from the date of the reception of the goods.

The inventories are evidenced in synthetic accounts, on inventory categories. The analytic evidence is organized on a quantity-value base, on each article, on inventory categories and administrations.

Short term investments

Short term investments include the titles owned to affiliate entities and other short term investments (bond purchased for realizing profit on a short term shares), short term bank deposits.

On initial recognition, the short term investments are valued at the acquisition cost (purchasing cost, or the value established in contracts).

Foreign currency short term bank deposits are booked at creation at the exchange rate communicated by the National Bank of Romania at the date of creation.

The liquidation of the foreign currency short term bank deposits is made at the exchange rate communicated by the National Bank of Romania at the liquidation date.

NOTE 2: Accounting principles, policies and methods (continued)

Upon exit from the entity the short term investments are valued using WAC.

If necessary, at the balance sheet date can be recorded in accounting adjustments for losses in value.

Cash and cash equivalents

The bank accounts include: assets to be received such as checks and trade bills deposited with the banks, local and foreign currency liquidities, entity's check books, short term bank credits as well as the interests related to liquid assets and bank credits in the current accounts.

The accounting of cash existing in the banks/entity's cashier desk as well as of its movement resulted from the receipts and payments made in cash, are kept separately in RON and foreign currency.

The current bank accounts are developed in the analytic on each individual bank.

The operations referring to the foreign currency amounts received and payments shall be recorded in accounting books at the rate of exchange of the dayin which the operations have been made, as communicated by the National Bank of Romania.

At the end of each month, the exchange rate differences resulting from the valuation of liquid assets in foreign currency and other treasury values, such as state bonds in foreign currency, letters of credit and short term deposits in foreign currency, communicated in the last banking day of each month by the National Bank of Romania, are recorded in the accounting books as financial revenues or expenses from currency exchange differences, as applicable.

Third parties

The accounting system of third parties ensures the records of the debts and the receivables of the entity in its relation with the suppliers, the clients, the personnel, the social security, the state budget, the affiliated companies, the shareholders/partners, various debtors and creditors.

The operations regarding purchases or deliveries of commodities and products, works performed or services supplied, as well as other operations performed are recorded in the accounting books of suppliers and customers.

The accounting of settlements with the personnel comprises salary rights, raises, additional amounts, prizes from salary fund, indemnities for holidays as well as those for temporary work incapacity and other rights in cash and/or in kind owed by the entity to the personnel in consideration for the work supplied and which is to be borne, according to regulations in force, from the salary fund.

The accounting of settlements regarding social contributions comprises liabilities for the social security contribution, health insurance contribution and unemployment contribution.

The settlements with the state budget and special funds comprise: tax on profit/income, value added tax, income tax, subsidies to be received and other similar taxes, fees and payments.

The profit/income tax payable must be recognized as a debt within the unpaid amount. If the amount paid exceeds the amount due, then the surplus must be recognized as debenture.

NOTE 2: Accounting principles, policies and methods (continued)

The Company computes profit tax for the individuals financial statements prepared in accordance with the law in force, and in compliance with tax legislation in force.

The value added tax owed to the state budget shall be determined as the balance between the value of the chargeable tax related to the goods delivered or services performed (input VAT) and the value of the deductible tax for purchases of goods and services (output VAT).

Other taxes, fees, and payments owed to the state budget or to local budgets comprise: tax on buildings, tax on lands, dividends tax, tax on transportation means and other taxes and fees. These taxes are separated in the analytical accounting by types of taxes, fees and other payments owed to the state budget or to local budgets.

The excise taxes and special funds included in prices or tariffs are recorded in the appropriate debts accounts without passing through income and expenses accounts.

The accounting of settlements within the group companies and with the shareholders/partners includes the operations that are reciprocally recorded in books during the same administration period both in the debtor entity's accounting and in that of the creditor entity, as well as the settlements between the shareholders/partners and the entity in respect of the share capital, the dividends owed there to, other settlements with the shareholders/partners, and also the participants' accounts in respect of the joint transactions in the case of the partnership associations.

Dividends distributed to shareholders, proposed or stated after the balance sheet date, as well as other similar distributions performed from the profit, need not be recognized as a liability upon the balance sheet date.

The entity’s debts/debentures to other third parties, other than to the own personnel, clients and suppliers are recorded in books under the various debtors accounts.

Taxes payable are recorded for the period for which they are due.

During the annual inventory, for the depreciation of the receivables balances (customers, sundry debtors, related parties), the Company records adjustments.

The policy for receivables value adjustments is presented below:

- For customer in litigation will be recorded provision of 100%, at the level of outstanding balance;
- For debts older than 365 days from the invoice date will be recorded a provision of 100%;
- For domestic customers, others than those mentioned above in paragraphs 1 and 2 there will be recorded a provision based on risk analisys that the company is exposed by dividing the company litigations occurred in the last financial years to the average customer balance for the same financial years.

  The percentage result applying the litigations to the average customer balance is applied to year end domestic customer balance resulting the provision corresponding the current financial year.

  During the year, it will follow the same procedure keeping the percentage results from dividing the litigations to year end average customer balance applied to respective month customer balance.

NOTE 2: Accounting principles, policies and methods (continued)

If there are signs that this percentage will not reflect market conditions, this percentage will be reanalysed.

- Specific provision in relation to the customer balances for which, at the balance sheet date, there are objective indications that will become insolvent or bankrupt.

In order to compute the provision/adjustment according to the information presented above, the promissory notes are not considered.

If a company within the group presents documents attesting the transfer of money which represents the value of a receivable, the company will present in its records the amounts under settlement and will settle the receivable.

The receivables and payables in foreign currency, as a result of the transactions incurred by the company are recorded in accounting both in RON and in foreign currency. A foreign currency transaction has to be initially recorded at the exchange rate communicated by the National Bank of Romania from the date of the transaction.

The foreign currency exchange differences as compared to the date of the settlement of receivables and debts in foreign currencies at rates of exchange different from those initially recorded in books during the month or as compared to those at which they were disclosed in the previous month must be recognized as revenues or expenses during the period when they are derived or incurred.

When the receivables or the debts in foreign currency are settled during the same month as that when they occurred, the entire foreign exchange difference shall be recognized in that month. When the receivable or the debt in foreign currency is settled during a later month, the foreign exchange difference which occurs until the settlement shall be assessed taking into account the change of the exchange rate occurred during each of such month.

At the end of each month, the receivables and the debts in foreign currency are revalued at the exchange rate communicated by the National Bank of Romania from the last banking day of that month. The exchange rate differences encountered are recorded as exchange rate revenues or expenses, as the case may be.

The above provisions are applicable to the receivables and debts in local currency whose settlement is made according to the exchange rate of a foreign currency. In this case, the exchange rate differences encountered are recognized in accounting under other financial revenues or other financial expenses, as the case may be.

The accounting books of third parties are kept by categories, in distinct accounts and the analytical accounts for each individual or legal person, grouped by documents and due dates.

Accounting of commitments and of other off-balance items

The rights and liabilities, as well as certain goods that cannot be included in the entity's assets and liabilities are recorded in books under accounts off the balance sheet called order accounts and record accounts.

NOTE 2: Accounting principles, policies and methods (continued)

This category includes commitments (endorsements, bails, guarantees) granted or received in relation to third parties, tangible assets taken on hire, material values received for processing or repair in keep or custody, debtors removed from assets and further pursued, royalties, administrations, rental fees and other similar debts, discounted trade bills not due yet, as well as other securities.

A distinct category of off-balance items are the contingent assets and debts.

A contingent asset is a potential asset which appears as a result of events before the balance sheet date and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

a) a potential liability as a result of past events occurred before the balance sheet date and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the entity, or

b) a present obligation as a result of past events occurred before the balance sheet date but which is not recognized because :

   - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - the amount of obligation cannot be measured with sufficient reliability.

The contingent assets and liabilities are not shown in the balance sheet, Information is disclosed in the notes to the financial statements.

Short term debts: amounts which must be paid during a period up to one year

A debt must be classified as a short term debt, also referred to as current debt, when:

a) it is expected to be settled during the normal operating cycle of the entity;
b) it is chargeable within 12 months as of the balance sheet date.

Long term debts: amounts which must be paid during a period exceeding one year

The accounting of loans and debts similar to loans is kept under the following categories: loans from bonds and repayment premiums thereof, long and short term bank loans, amounts due to affiliated companies and to those to which participating interests are held, other similar loans and debts, as well as interest related thereof.

Provisions

A provision is a liability of uncertain exigibility or value.

A provision is recognized when the Group has a current (legal or constructive) obligation resulting from a past event, when it is likely that an outflow of resources carrying economic benefits may result from the settlement of these obligations, and when the value of the payment can be measured reliably.

NOTE 2: Accounting principles, policies and methods (continued)

Provisions are reviewed at the end of each year and adjusted in order to reflect an accurate estimation of the losses that might occur, estimation made taking into consideration all the information known at the moment when the financial statements are prepared.

Provisions are set for items such as:

a) litigations, fines or penalties, damages, compensations and other uncertain debts;
b) expenses in connection to the service activity during the guarantee period and other expenses regarding the guarantee granted to the clients;
c) tangible assets decommissioning and other similar actions related to it;
d) restructuring activities;
e) retirement pensions and other similar liabilities;
f) taxes;
g) completion of the employment contract;
h) premiums to be granted to staff depending on the profits made, according to legal or contractual provisions;
i) provisions related to concession agreements;
j) provisions for pecuniary interest contracts;
k) other provisions.

The accounting of provisions is kept depending on the types of provisions, according to their nature, purpose and the scope for which they were established.

The Company sets provisions for litigations, completion of the employment contract, environment expenses and for other taxes.

The Company records the provisions for taxes in relation to amounts representing future fiscal consequences of items that currently generate taxable temporary differences between their accounting base and tax base.

When the provision is no longer necessary for the purpose for which it was established, it is reversed as income.

Subsidies

Subsidies comprise subsidies related to assets and subsidies related to revenues.

The following shall be disclosed separately under subsidies:

- government subsidies;
- non-reimbursable loans like subsidies;
- other amounts received as subsidies.

Subsidies related to assets have the effect of purchase / acquisition / construction of fixed assets.

Subsidies related to income comprise all the subsidies other than those for assets.

A government subsidy may take the form of the transfer of a non-monetary asset, and in this case the subsidy and the asset shall be recorded in books at the fair value.

NOTE 2: Accounting principles, policies and methods (continued)

Inventory excess of tangible and intangible assets and the donations are also recorded in accounting under the subsidy accounts.

The subsidies shall be systematically recognized as revenues of the periods corresponding to related expenses which these subsidies are to off-set.

The accounting of subsidies is kept under applicable accounting regulations and considering contractual provisions when appropriate.

The subsidies are not recorded in books directly under the capital and reserves accounts.

Equity

Equity represents the residual interest of shareholders in the entity's assets after deducting all liabilities.

The subscribed and paid in share capital is separately recorded in the accounting books, based on the incorporation articles of the legal person and the justifying documents as regards the capital payments.

Share premiums (issuance, merger, contribution, conversion) are the excess of the issuance value less the par value of the shares or social parts.

The accounting of reserves is kept by reserve categories as follows: legal reserves, statutory reserves or contractual reserves and other reserves.

In accordance with the Romanian legislation, companies must allocate an amount equal to at least 5% of the profit before taxation to legal reserves, until the value of the legal reserves reaches 20% of the value of capital. Once the legal reserves reach this level, the Group may allocate additional funds to the legal reserves, depending on its own requirements.

Statutory or contractual reserves are formed on annual basis from the entity's net profit, according to the provisions in its incorporation articles.

Other reserves not provided for by law or by statute may be formed optionally, based on the net profit, to cover the accounting losses or for other purposes, according to the decision of the general shareholders or partners meeting, by observing the legal provisions.

Revaluation reserves

Pluses or minuses resulted from the revaluation of non-current assets are recognized in revaluation reserve.

The revaluation reserves decrease can be made only in the limit of the existing credit balance.

The revaluation reserve must be reduced to the extent that the amounts transferred there to be no longer necessary for the implementation of the valuation method used.

The revaluation reserves of non-current assets have a non-distributable character.

NOTE 2: Accounting principles, policies and methods (continued)

The revaluation surplus included in revaluation reserve is capitalized through direct transfer in retained earnings, as long as the surplus is achieved.

The gain is considered realized as long as it is used by the entity.

Transfer between reserves is realized on a quarterly basis and at the end of the financial year.

The value of the transferred reserve is equal with the difference between depreciation of the asset computed at the gross revaluated value and the depreciation computed at the initial cost of the asset.

Profit and loss

Profit and loss is established on a cumulative basis from the beginning of the financial period, as the difference between income and expenditure of the period. The final result of the financial period is established at the end of the exercise and represents the final balance of the profit and loss account.

The distribution of the profit is registered in accounting based on destination after the approval of the financial statements.

The profit distribution is made in accordance with the decision of general meeting of the shareholders according to the Romanian law.

The amounts representing reserves created from the profit of the current financial year are shown under the account "Profit appropriation", according to legal provisions.

The profit which is not distributed is transferred to retained earnings.

The retained result from changes in accounting policies and the retained result from correction of accounting errors are separately highlighted in the retained earnings.

The accounting loss reported is covered from the profit of the financial exercise and the reported one, from reserves, and equity, in accordance with the general meeting of the shareholders, according to the Romanian law.

Revenues

Revenues are increases of economic benefits registered during an accounting period as inputs or increases of assets or decreases of liabilities, which materializes as a growth of shared capitals, other than the shareholders contribution.

Revenues are recognized in the profit and loss account when it is likely that the Company will derive the benefits associated with the underlying transactions, and a reliable estimate of the value of these benefits can be made.

The accounting of revenues is kept depending on the types of revenues, according to their nature, as follows:

a) operating revenues;
b) financial revenues.

NOTE 2: Accounting principles, policies and methods (continued)

Operating revenue comprise:

a) revenues from the sale of products and commodities, work performed and services supplied;
b) revenues from stocks variation;
c) revenues from the production of assets;
d) revenues from operating subsidies;
e) other revenues from the current activity.

Revenues from the sale of goods are recorded in accounting books at the moment of handing over the goods to the purchaser, of the delivery of the goods based on invoice or in other conditions as provided for in the contract, which certify the transfer of the ownership right on such goods, to the clients.

Revenues from the sale of goods are recognized at the moment when the following conditions are met:

a) the entity has transferred the material risks and benefits deriving from the ownership of goods to the purchaser;
b) the entity does not administrate the sold goods and does not have control over them;
c) revenues and expenses respectively derived or incurred by the transaction may be quantified,
d) it is probable that the economic benefits will be generated for the entity and
e) the costs of the transaction can be valued in a credible manner.

The other categories of revenue are recognized if they meet the requirements for recognition established by the accounting regulations.

Financial revenues comprise:

a) revenues from financial assets;
b) revenues from short term investments;
c) revenues from financial investments ceded;
d) revenues from foreign exchange differences;
e) revenues from interest;
f) revenues from discounts received further to financial reductions;
g) other financial revenues.

The financial discounts are given for a non-commercial scope, usually for stimulating the client to pay early or to stimulate him to use a certain payment form, It is not committed to a certain product but to a value and to a payment frequency.

The financial discounts received are registered as financial revenues for the period.

Expenses

Expenses are decreases of economic benefits registered during an accounting period as outputs or decreases of value of assets or increases of liabilities, which materializes as a decrease of shared capitals, other than the shareholders withdrawals.

The accounting of expenses is kept on types of expenses, according to their nature, as follows:

a) operating expenses;
b) financial expenses.

NOTE 2: Accounting principles, policies and methods (continued)

Operating expenses includes:

a) expenses for raw materials and consumables; the acquisition cost of consumed inventory objects; acquisition costs of not stocked materials, directly passed as expenses; the equivalent of the energy and water consumed; the value of biological assets such as inventories; the cost of goods sold and of packages;

b) expenses for works and services supplied by third parties, royalties and rental; insurance premiums; studies and research; expenses for other services performed by third parties (collaborators); commissions and fees; protocol, advertising and publicity expenses; transport of goods and personnel; travels, official trips and transfers; postage expenses and telecommunication duties, banking services and others;

c) personnel expenses (salaries, social security, meal tickets and other personnel expenses which are borne by the entity);

d) other operating expenses (expenses related to environmental protection, losses from debentures and various debtors; compensations, fines and penalties; donations and other similar expenses; expenses regarding ceded assets and other capital expenses etc,),

Financial expenses, which comprise:

a) losses from debentures in connection to participations;
b) expenses regarding financial expenses;
c) unfavourable foreign currency differences;
d) interest regarding the current financial year;
e) discounts granted to clients;
f) losses for debentures of financial nature and others.

Financial discounts granted to the customers are booked in accounting as financial expenses of the period.

Turnover

The profit and loss account comprises: the net turnover, incomes and expenses of the financial year grouped by their nature, as well as the result of the period (profit or loss).

For purposes of these regulations, the net turnover is computed by summing up the income resulted from deliveries of goods, performance of services and other operating income, less trade rebates granted to the clients and value added tax and other taxes related directly to the turnover.

Trade rebates are granted to customers for specific product during a specific period of time and have the purpose to increase the sales of that product for that period of time. This kind of trade rebates will generate a decreasing of trade incomes and also of the net turnover.

Retirement, post retirement and termination benefits

- Short-term employee benefits

Short-term employee benefits comprise salaries and contributions to social security funds. They are recognized as expenses in the period in which they are paid.

NOTE 2: Accounting principles, policies and methods (continued)

Both the Company and the employees have the obligation to contribute to the National Retirement Fund. The Company has no obligation of paying other future benefits. The only obligation in this respect is the payment of the contributions to the National Retirement Fund by the due date.

- Retirement benefits

Upon retirement the employees receive a bonus equal with to a gross average salary in compliance with the previsions of the collective labour agreement, The Company did record provisions for these obligations.

- Benefits upon closing of individual labour agreements

The Company has an obligation to compensate employees in case it terminates their individual labour agreements, as a result of making the respective employees redundant. The magnitude of the related termination benefits payable depends on the position held and the number of years of employment with the Group. Termination benefits obligations are recorded when the related reorganization plan is adopted by the management of the Group or when the expenses are made if there is no reorganization plan in force, according to the Collective labour Agreement.

Leasing contracts

The leasing contract is an agreement, through which the leaser gives to the lessee, in exchange of a payment or a serial of payments, the right to use a good for a period of time.

Financial leasing

The financial leasing is the leasing operation which transfers the most important part of the risks and advantages of a property right over an asset.

A leasing contract can be known as a financial leasing if it fulfils at least one of the following conditions:

a) the leasing transfers to the lessee the property right over the good until the leasing contract is finished;
b) the lessee has the option to buy the good at a price estimated to be small enough comparing to the market value at the date when the option becomes realizable, so that, at the beginning of the leasing contract there exists in a reasonable way the certitude that the option will be realized;
c) the leasing contract duration covers for the most part the economic life time of the good, even if the property right is not transferred;
d) the total value of the leasing rates, less the accessories costs, is greater or equal to the acquisition value of the good, represented by price paid by the leaser for the good, respectively the acquisition price;
e) the goods that represent the object of the leasing contract have a special nature, so that only the leaser can utilize them without any major modifications.

The leasing payments are separated between the interest and the diminution of the leasing debt to obtain a constant interest rate that applies to the final balance of the debt. The interest expense is registered directly into the profit and loss.

NOTE 2: Accounting principles, policies and methods (continued)

The acquisition of mobile and immobile goods, in the case of financial leasing, are treated as investments, being depreciated on a consequent base with the normal depreciation policy used for similar goods.

Operational leasing

The operational leasing is the leasing operation that is not included in the financial leasing category.

The payments for an operational leasing contract are recognized as expenses in the profit and loss account, linear during the leasing contract.

Leaseback

A selling transaction of a long term asset and a rental transaction of the same asset in leasing (leaseback) are registered as follows (taking into account the leasing contract):

a) if the transaction of selling and renting the same asset has as a result a financial leasing, the transaction represents a way through which the leaser gives to the lessee a financing, in this case the asset is considered a guarantee. The financing beneficiary (leaser) will not insert in accounting the selling operation of the fixed asset, because the conditions to recognize income are not met. The fixed asset will remain recorded at the value before the leasing operation, with the corresponding depreciation regime;
b) if the sell and lease operation of the same fixed asset has as result an operational leasing, the selling party accounts a selling transaction, including the recording of the fixed asset as being taken out of accounting, along with all the amounts that have been cashed or have to be cashed.

Related parties

Parties are considered to be related if one of the parties has the ability to control, partially control or to exercise significant influence over the other party due to the following aspects:

a) owns the majority of the voting rights of the shareholders or associates in other entity, named subsidiary;
b) it is a shareholder or associate of an entity and the majority of the members of the administration, management and supervising authorities of the entity (subsidiary) which have been named in these functions during the financial year, during the previous financial year and by the time the annual consolidated financial statements were prepared were named only as a result of exercising its voting rights;
c) it is a shareholder or associate of a subsidiary and owns by itself the control over the majority of voting rights of the shareholders or associates of that subsidiary, as a result of an agreement concluded with other shareholders or associates;
d) it is a shareholder or associate of a subsidiary and has the right to exercise a dominant influence over that subsidiary, based on a contract concluded with the entity or on a clause in the constutive deed or statute, if the regulation applicable to the subsidiary allows such contracts or clauses;
e) Parent Company has the power to exercise or effectively exercises a significant influence or control over a subsidiary;
f) it is shareholder or associate of a subsidiary and has the right to appoint or revoke the majority of the members of the administration, management and supervising bodies of that subsidiary;
g) Parent Company and the subsidiary are managed on a unified basis by the Parent Company.

NOTE 2: Accounting principles, policies and methods (continued)

The subsidiary represents an entity under the control of other entity, named Parent Company.

A transaction with related parties is a transfer of resources, services or obligations between related parties without being of importance if a price is charged.

Borrowing costs

Borrowing costs that are directly attributable to the assets with long manufacture cycle are included in the production costs as far as they are related to the production period.

Borrowing costs include the interest on capital borrowed to finance the acquisition, the construction or the production of assets with long manufacture cycle.

Events occurring after the balance sheet date

The events subsequent to the balance sheet date are those events, either favourable or unfavourable, which take place between the balance sheet date and the date on which the statements on the annual accounts are to be approved under the law.

The events which occur after the balance sheet date may supply additional information. If the additional information leads to the need to record certain incomes or expenses in books, then such records must be made, in order to give a true and fair view. This information shall also be disclosed in the notes on accounts.

Correction of accounting errors

The accounting errors may relate either to current period or to previous periods.

Previous period errors are omissions and misstatements in the financial statements.

Correction of errors is made at the date of their acknowledgement.

Correction of the errors of the current period is made in the profit and loss account.

Correction of the significant errors of the previous period is made in retained earnings.

Minor errors related to previous periods are also corrected in retained earnings. Still, they can be corrected in the profit and loss account if the errors are immaterial.

Immaterial errors are those that do not influence the information presented in the financial statements. It is considered that an error is material if it influences the economic decisions taken by the users of the financial statements. The analysis of the nature of an error is made considering the individual or cumulated value of the elements.

In case of correcting the errors which generate a carried forward accounting loss, such loss must be covered before performing any profit distribution.

The correction of errors from previous financial statements must not lead to changes in those financial statements.

NOTE 2: Accounting principles, policies and methods (continued)

In case of correcting errors from previous financial statements, these corrections must not adjust the comparative information presented in the financial statements.

Estimates

Because of the uncertainties inherent in carrying out the activities, some elements of the annual financial statements can not be measured with precision but just estimated.

The estimation process involves judgments based on the latest credible information at their disposal.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 3: Non-current assets

	Assets elements	Gross book value			
		Balance at 01.04.2017	**Increases, including the increases due to revaluation**	**Disposals, transfers and other discounts**	**Balance of 31.03.2018**
	0	1	2	3	4
I,	**Intangible assets**				
	Set-up costs and development costs	-	-	-	-
	Licenses, trademarks and other intangibles	237,511,161	635,143	-	238,146,304
	Other intangible assets	5,152,761	40,639	-	5,193,400
	Advances for the acquisition of intangible assets	-	-	-	-
	Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
Total intangible assets		**242,663,922**	**675,782**	**-**	**243,339,704**
II,	**Tangible fixed assets**				
	Land and land improvements	94,429,755	13,309,833	-	107,739,588
	Buildings	39,556,800	4,479,760	6,126,745	37,909,815
	Machinery and equipment	72,368,093	13,882,698	36,154,788	50,096,003
	Other tangible fixed assets	3,069,319	96,436	1,127,594	2,038,161
	Real estate investments	-	-	-	-
	Tangible assets for exploration and evaluation of mineral resources	-	-	-	-
	Productive biological assets	-	-	-	-
	Tangible fixed assets in progress	4,591,728	7,589,145	11,289,799	891,074
	Real estate investments in progress	-	-	-	-
	Advances for the acquisition of tangible assets	1,127,152	1,572,740	-	10,655
Total fixed tangible fixed assets		**215,142,847**	**40,930,612**	**57,388,163**	**198,685,296**
III,	**Financial non-current assets**	**41,861**	**3**	**5,260**	**36,604**
TOTAL – Non-current assets		**457,848,630**	**41,606,397**	**57,393,423**	**442,061,604**

(all amounts are expressed in RON, unless specified otherwise)

NOTE 3: Non-current assets (continued)

Classification of non-current assets		Value adjustments (depreciation and adjustments for depreciation or loss of value)			
		Balance at 01.04.2017	**Adjustments during the year**	**Decreases or disposals**	**Balance at 31.03.2018**
	0	1	2	3	4
I,	**Intangible assets**				
	Set-up costs and development costs	-	-	-	-
	Licenses, trademarks and other intangibles	73,818,112	24,499,176	-	98,317,288
	Other intangible assets	3,341,394	810,175	-	4,151,569
	Advance payments for intangible non-current assets	-	-	-	-
	Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
Total intangible assets		**77,159,506**	**25,309,351**	**-**	**102,468,857**
II,	**Tangible fixed assets**				
	Land and improvements on land	84,498	10,787	-	95,285
	Buildings	3,950,718	2,155,981	5,951,026	155,673
	Machinery and equipment	27,284,269	10,329,460	36,011,245	1,602,484
	Other tangible fixed assets	751,279	392,042	1,127,595	15,726
	Real estate investments	-	-	-	-
	Tangible assets for exploration and evaluation of mineral resources	-	-	-	-
	Productive biological assets	-	-	-	-
	Tangible fixed assets in progress	-	-	-	-
	Real estate investments in progress	-	-	-	-
	Advances for the acquisition of tangible assets	-	-	-	-
Total Tangible fixed assets		**32,070,764**	**12,888,270**	**43,089,866**	**1,869,168**
III,	**Financial non-current assets**	-	-	-	-
TOTAL – Non-current assets		**109,230,270**	**38,197,621**	**43,089,866**	**104,338,025**

The net book value of the non-current assets as of 31 March 2018 represents the fair value, in accordance with the provisions of the Order of the Minister of Public Finance no. 1802/20149, for approving the accounting regulations regarding the individual and consolidated annual financial statements, and the Order of the Minister of Public Finance 2861/2009 for the approval of the Regulations regarding the organization and performance of the inventory of assets, liabilities and equity.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 3: Non-current assets (continued)

The last revaluation was made at 31.03.2018 by an independent valuer. The results of reevaluation are presented below:

				RON	
Tangible assets group	**Net book value 31.03.2018 before revaluation**	**Net book value 31.03.2018 after revaluation**	**Total difference**	**Recognised under revaluation reserves**	**Recognised under impairment**
Cladiri	34.664.513	37.864.388	3.199.875	3.340.586	140.711
Echipamente	48.305.655	52.012.277	3.706.622	3.828.509	121.887
Teren	94.321.885	107.631.718	13.309.833	13.309.833	0
TOTAL	**177.292.053**	**197.508.383**	**20.216.330**	**20.478.928**	**262.598**

The tangible assets category comprises land in surface of 177,147 sqm with a net book value as at 31 March 2018 of RON 107,631,718. Out of this, 90,000 sqm worth RON 65,160,517 are held for sale. The land held for sale is located in Cluj – Napoca, 124 Fabricii Street.

Furthermore, the assets owned by the company as at 31 March 2018 comprise assets which are not currently used due to the ceasing of production activity at Bucharest site. These assets have been valued at 31 March 2018 at a net book value of RON 2,232,167.

Financial assets, amounting to RON 36,604, comprise mainly guarantees granted to suppliers, according to the terms of agreements, in amount of RON 36,604.

The last revision of useful economic lives of tangible and intangible fixed assets was made at 31 March 2018, during the annual inventory of assets and during the revaluation process.

The movements in value adjustments amount to RON 182,610.

On 31.03.2018, the Company has assets in progress and advances for tangible assets in amount of RON 901,729. The main component in this amount is represented by the endowment with plant and machinery.

The book value of the fully depreciated tangible fixed assets which are still in use as at 31 March 2018 is RON 52,289,080.

The split on categories of fully depreciated tangible fixed assets still in use is presented below:

- buildings	1,946,999
- technological equipment	32,316,278
- measurement, control, regulation devices and installations	14,671,707
- vehicles	1,557,702
- others	1,796,394
Total	**52,289,080**

NOTE 4: Capital investments

During the year the investments in tangible and intangible assets amounted to RON 7,148,431.

Investments performed during the reporting period of 2017 are for the main activities of the company as follows:

- technological equipments	48.36%
- quality control	21.35%
- R&D	16.06%
- licences	8.88%
- information technology and software	3.40%
- bioequivalence	1.95%

(all amounts are expressed in RON, unless specified otherwise)

NOTE 5: Inventories

Stock description	31 March 2017	31 March 2018
Raw materials and consumables	23,824,411	22,818,606
Work in progress	2,998,994	4,645,735
Finished products	24,056,626	12,650,783
Goods purchased for resale	31,849,574	27,588,951
Advance payment for the purchases of inventories	872,350	376,266
Provisions against the carrying value of inventories	(5,355,930)	(5,586,494)
Total inventories	**78,246,025**	**62,493,847**

NOTE 6: Receivables and payables

Receivables	Balance at 31 March 2017	Balance at 31 March 2018	Maturity term	
			Under 1 year	Over 1 year
1. Trade receivables	234,630,112	270,364,726	270,364,726	-
2. Receivables from affiliated companies	60,000,796	45,126,328	45,126,328	-
3. Other receivables	3,415,540	7,364,985	7,364,985	-
4. Provisions for receivables	(20,027,904)	(18,135,953)	(18,135,953)	-
TOTAL	**278,018,544**	**304,720,086**	**304,720,086**	**-**

Trade receivables relate mainly to the sale of finished goods and of goods for resale.

The liquidity term is established considering the due date of the invoices as it is established in the contracts concluded with our partners. These terms do not overlap with the ageing intervals used in computation of value adjustments for receivables.

The Company’s main customers are:

- Farmexpert DCI SA Bucureşti;
- Mediplus Exim Bucureşti;
- Fildas Trading SRL Pitesti;
- Centrala Farmaceutyczna Cefarm S.A.
- Zao „Ranbaxy” Rusia;
- Pharmafarm S,A, Corunca;
- Farmexim SA Bucureşti;
- Dona Logistica Bucuresti;
- Europharm Holding Braşov;
- Ropharma Logistic.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 6: Receivables and payables (continued)

Payables	Balance at 31 March 2017	Balance at 31 March 2018	Repayment term		
			Under 1 year	1 – 5 years	Over 5 years
1. Suppliers - other	44,547,258	49,386,879	49,386,879		
2. Suppliers - intercompany	45,845,222	31,773,091	31,773,091		
3. Fixed assets suppliers	1,467,151	450,087	450,087		
4. Advances received from customers	34,464	5,947	5,947		
5. Payables to employees	9,443,537	12,207,646	12,207,646		
6. Social security and unemployment fund	1,740,043	1,963,887	1,963,887		
7. Taxes and duties payable	17,548,566	18,295,609	18,295,609		
8. Dividends payable	4,027,987	-	-		
9. Other liabilities	325,150	338,086	338,086		
10. Amounts due to credit institutions	-	-	-		
TOTAL	**124,979,378**	**114,421,232**	**114,421,232**		

As at 31 March 2018, the suppliers' liabilities comprise the liabilities for the services supplied amounting to RON 10,181,709 for which the Company did not receive invoices until 31 March 2018.

NOTE 7: Cash and cash equivalents

-RON-

Description	31 March 2017	31 March 2018
Petty cash and other values	3,955	5,015
Cash at bank	193,892,452	328,997,270
Amounts under settelment	-	-
Bank account balances and bonds	-	-
Guarantees received from warehouse keepers	132,780	125,711
Short term financial investments	-	-
Total cash and cash equivalents	**194,029,187**	**329,127,996**

The Company has at 31 March 2018 restricted cash balances amounting to RON 125,711 representing guarantees received from warehouse keepers.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 8: Allowances and impairment provisions against the value of assets

Allowances and impairment provisions were made in relation to the impairment of assets, risks and potential losses resulting from the Company's operational activities, in accordance with the prudence principle.

Provisions for receivables, payables and inventories

For clients and inventories, the company recorded allowances and impairment provisions according to the accounting policies presented on Note 2.

In respect of inventories, besides the provisions recorded according to the accounting policy, the Company has presented in the financial statements supplementary allowances amounting to RON 434,896 for goods for resale and RON 57,250 for finished goods. Management considers that there is an increased risk for these goods of not being sold.

Impairment provision against the carrying value of tangible fixed assets

Impairment provisions were recorded for tangible fixed assets based on the information received from the inventory commissions regarding the physical condition and usefulness of these assets for the Company.

The movement during the period 01.04.2017-31.03.2018 in the value of provisions is presented in the following table:

Crt, No,	Name of the value adjustments	Balance at 31 March 2017	Movements during the year		Balance at 31 March 2018
			Increase	Reversal	
0	1	2	3	4	5=2+3-4
1	Impairment provision for tangible fixed assets	1,686,558	260,172	77,562	1,869,168
2	Impairment provision for intangible assets	-	-	-	-
3	Allowances for inventories	5,355,930	7,988,428	7,757,864	5,586,494
4	Allowances for doubtful trade receivables' balances	20,027,904	339,655	2,231,606	18,135,953
5	Allowances for doubtful sundry debtors' balances	-			
TOTAL		**27,070,392**	**8,588,255**	**10,067,032**	**25,591,615**

(all amounts are expressed in RON, unless specified otherwise)

NOTE 9: Related parties

Transactions and balances with related parties

Transactions with related parties are carried out on an arm's length basis.

The value of the transactions that the Company entered into during 1 April 2017 – 31 March 2018 with the Group companies, as well as the related balances as of 31 March 2018 are presented below:

Transactions

Purchases of goods and services	**31.03.2017**	**31.03.2018**
Ranbaxy Ireland- purchases	1,196,549	-
Ranbaxy Ireland - services	149,669	-
Ranbaxy Ireland– CAPEX	1,072,109	-
Ranbaxy Poland Sp Zoo - services	8,856,214	30,294,522
Ranbaxy Italy Spa	141	-
Basics GmbH	-	256
Ranbaxy (Netherlands) BV	137,900	139,222
Sun Pharmaceutical Ltd (ex RLL)-purchases	65,318,506	89,948,903
Sun Pharmaceutical Ltd RP (SPIL)	5,224,766	6,475,505
Alkaloida Chemical Company Zrt. – purchases	174,939	322,352
Alkaloida Chemical Company Zrt. - services	25,757	-
Sun Pharmaceutical Industries Europe	2,714,933	2,462,722
Sun Pharmaceutical Industries Inc New J	139,826	82,593
Aditya Acquisition Company Ltd.	384,226	254,358
Sun Pharma Anz Pty Ltd.- purchases of materials	-	56,923
Sun Pharma Global Fze	-	79,088
Total	**85,395,535**	**130,116,444**

(all amounts are expressed in RON, unless specified otherwise)

NOTE 9: Related parties (continued)

Sales of goods and services	**31.03.2017**	**31.03.2018**
ZAO Ranbaxy Russia- sales	58.845.047	57,166,148
Ranbaxy (UK) Ltd, – London - sales	6,742,772	12,336,114
Ranbaxy (UK) Ltd, – London - services	133,236	258,164
Ranbaxy Pharmacie Generique France	1,740,157	2,281,197
Basics GMBH - sales	282,204	338,533
Basics GMBH - services	29,859	9,799
Ranbaxy Irlanda – sales	12,350,638	-
Ranbaxy Irlanda - services	42,789	-
LLC Ranbaxy Pharmaceuticals Ukraine	13,753,111	13,919,273
Ranbaxy Italy Spa – sales	343,086	1,054,802
Ranbaxy Italy Spa - services	11,551	15,814
Ranbaxy Spain – sales	650,807	1,000,395
Ranbaxy Spain - services	34,444	55,388
Sun Pharmaceutical Ltd (ex RLL)-services	12,061,244	9,748,287
Sun Pharmaceutical Industries Europe – sales	847,597	1,098,576
Sun Pharmaceutical Industries Europe - services	3,709,816	8,786,099
Alkaloida Chemical Company Zrt. – equipment	-	142,528
Alkaloida Chemical Company Zrt. – services	-	1,165
Total	**111,578,358**	**108,212,282**

Balances

Payables	**31.03.2017**	**31.03.2018**
Basics GMBH - services		256
Ranbaxy Poland Sp Zoo	7,502,622	7,957,743
Sun Pharmaceutical Ltd (ex RLL)	35,263,716	20,962,291
Alkaloida Chemical Company Zrt,		154,894
Aditya Acquisition Company Ltd.	613,637	41,726
Sun Pharmaceutical Ltd (SPIL)	1,428,181	1,649,850
Sun Pharmaceutical Industries Europa	980,456	927,243
Sun Pharmaceutical Industries Inc New J	56,610	-
Sun Pharma Global Fze	-	79,088
Total	**45,845,222**	**31,773,091**

Receivables	**31.03.2017**	**31.03.2018**
ZAO Ranbaxy Russia- customers	37,623,362	27,655,667
Ranbaxy (UK) Ltd. – London **-**sales		2,006,111
Ranbaxy (UK) Ltd. – London -services		419
Ranbaxy Pharmacie Generique France		201,292
Ranbaxy Italy SPA-sales	96,059	770,798
Basics GMBH	4,472	
Ranbaxy Ukraine	4,353,431	
Ranbaxy Laboratories SL Spain	206,817	
Sun Pharmaceutical Ltd (ex RLL)	16,697,380	12,381,929
Sun Pharmaceutical Industries Europe	1,023,356	2,110,112
Total	**60,004,877**	**45,126,328**

(all amounts are expressed in RON, unless specified otherwise)

NOTE 9: Related parties (continued)

Collections/Payments

Collections	**31.03.2017**	**31.03.2018**
ZAO Ranbaxy Russia- sales	52,502,472	63,097,922
Ranbaxy (UK) Ltd. – London - sales	8,598,139	10,332,084
Ranbaxy (UK) Ltd. – London - services	582,601	257,745
Ranbaxy Pharmacie Generique France	2,087,135	2,079,715
Basics GMBH	282,767	338,533
Basics GMBH - services	27,616	14,278
Ranbaxy Ireland	12,840,770	-
Ranbaxy Ireland - services	52,877	-
LLC Ranbaxy Pharmaceuticals Ukraine	15,408,290	18,259,808
Ranbaxy Italy Spa	389,556	381,093
Ranbaxy Italy Spa - services	14,498	15,814
Ranbaxy Spain	451,658	1,199,543
Ranbaxy Spain - services	26,245	63,587
Sun Pharmaceutical Industries Europe	1,708,863	1,098,576
Sun Pharmaceutical Industries Europe - services	2,257,246	7,698,828
Sun Pharmaceutical Ltd - services	8,683,373	14,000,223
Alkaloida Chemical Company Zrt. – equipment	-	142,528
Alkaloida Chemical Company Zrt. – services	-	1,165
Total	**105,914,106**	**118,981,442**

Payments	**31.03.2017**	**31.03.2018**
Ranbaxy Ireland	7,421,138	-
Ranbaxy Ireland - services	149,669	-
Ranbaxy Ireland - CAPEX	1,212,522	-
Ranbaxy Poland Sp Zoo	1,616,190	29,733,259
Ranbaxy (Netherlands) BV	137,900	139,222
Ranbaxy (UK) Ltd. – London - services	88,887	-
Ranbaxy Italy Spa	141	-
Sun Pharmaceutical Industries Europe - services	1,739,863	2,519,954
Sun Pharmaceutical Ltd-goods (ex RLL)	60,790,172	102,999,201
Sun Pharmaceutical Ltd RP	4,091,329	6,246,847
Alkaloida Chemical Company Zrt.	338,316	167,454
Alkaloida Chemical Company Zrt. - servicii	25,757	-
Sun Pharmaceutical Industries Inc New J	83,223	139,196
Aditya Acquisition Company Ltd	-	818,937
Sun Pharma Anz Pty Ltd.- purchases of materials	-	56,923
Total	**77,695,707**	**142,820,993**

(all amounts are expressed in RON, unless specified otherwise)

NOTE 10: Provisions

	Classification of provisions	Balance at 31 March 2017	Transfers		Balance at 31 March 2018
			To account	From account	
	0	1	2	3	4
1	Provisions for retirement benefits	1.019.275	-	395,736	623,539
2	Provisions for taxes	8.329.916	398,651	707,063	8,021,504
4	Provisions for restructuring	-	-	-	-
5	Other provisions for expenses	31.399.828	-	5,234,984	26,164,844
	Total	**40,749,019**	**398,651**	**6,337,783**	**34,809,887**

Other provisions for expenses are provisions for the tax owed to the Health Ministry amounting to RON 26,134,844 and provision for environment amounting to RON 30,000, according to law in force.

The provision for taxes was built up according to the accounting regulations in force (O.M.F.P 1802/2014) and is calculated based on the gross distributable reserves recognized in equity and the difference between the accounting net book value and the fiscal net book value of fixed assets. The provision amounts to RON 8,021,504 as at 31 March 2018.

NOTE 11: Investment subsidies

The company has benefited from active grants from the government and from the European Union.

During the investment projects in respect of which there have been received sunsidies/grants, there were no events of default the contractual clauses.

The grants are recognized as income in the same time with the depreciation of fixed assets in connection with which they were received.

On 31.03.2018 information on subsidies recognized in the balance sheet are:

Type of subsidies	Type of asset for which they were received	The initial value of the subsidy	The value in the balance sheet at 31.03.2018	Period in which it will be amortised (months)
Government subsidies	Buidings	892,500	325,382	105
	IT equipments	26,313	24,120	33
European Union subsidies	Buildings	4,970,466	4,500,470	326
	Plant and machinery	5,663,254	4,098,152	1 – 88
	Laboratory equipments	217,611	130,374	28 - 88
Total		**11,770,144**	**9,078,498**	

(all amounts are expressed in RON, unless specified otherwise)

NOTE 12: Investments and sources of finance

As of 31 March 2018, share capital amounted to RON 25,021,355, and was divided into 250,213,547 fully paid shares with a nominal value of RON 0.1. Subscribed capital is fully paid.

At the beginning of the year 2017, the capital amounted to RON 25,021,355.

The Company had no corporate bond certificates in issue as of 31 March 2018 and 31 March 2017.

As of 31 March 2018 Terapia has own shares redeemed in amount of RON 810,741, representing the value of the 279,566 shares redeemed in the share redemption program during 17 July 2017 – 17 January 2018, redemption value of RON 2.9 per share.

NOTE 13: Profit appropriation

Profit appropriation	01.04.2016-31.03.2017	01.04.2017-31.03.2018
Net profit to be distributed:	136,338,432	132,747,939
- legal reserve		
- use of accounting loss		
- dividends		
- tax facilities	3,199,590	6,329,347
Profit not distributed	133,138,842	126,418,592
Total	**133,138,842**	**126,418,592**

From the net profit amounted to RON 132,747,939, the amount of RON 6,329,347 was allocated to reserves representing the profit reinvested in the financial year 2017 for which the company benefited from tax facilities.

At the time of the preparation of the financial statements, no decision has been taken regarding the appropriation of the profit amounting to RON 126,418,592.

In accordance with the legal provisions, following the approval of the net profit distribution by the General Shareholders Assembly, it will be reported in the financial statements for the year 2018.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 14: Turnover

	31.03.2017	31.03.2018
Net turnover:	**593,574,177**	**686,251,308**
Out of which, for:		
- domestic sales	448,679,712	473,271,422
- export sales	144,894,465	212,979,886

The total net turnover was derived from sales made in the following countries:

	31.03.2018
Romania	473,271,422
Russia	57,166,148
Poland	80,776,837
India	8,985,904
Ukraine	13,919,273
Other countries	52,131,724
	686,251,308

Net turnover comprises the amounts from sale of goods and rendering of services during the period 01.04.2017-31.03.2018.

NOTE 15: Operating result analysis

Indicator	Previous year as at 31.03.2017	Current year as at 31.03.2018
1	2	3
1. Net turnover	**593,574,177**	**686,251,308**
2. Cost of goods sold and services rendered (3+4+5+6)	**242,986,342**	**286,457,890**
3. Main activity expenses	69,204,116	70,065,963
4. Cost of goods purchased	103,661,301	143,980,360
5. Costs of sundry activities	4,846,700	4,667,369
6. Indirect production expenses	65,274,225	67,744,198
7. Gross profit (1 – 2)	**350,587,835**	**399,793,418**
8. Research expenses	13,670,233	12,576,822
9. Selling expenses	106,175,468	133,275,149
10. General and administration expenses	81,032,835	104,335,723
11. Other operating income	2,367,935	5,039,312
12. Operating profit (7 – 8 – 9 – 10 + 11)	**152,077,234**	**154,645,036**

The Company includes under cost of goods sold the direct and indirect manufacturing costs, Research expenses, selling and marketing expenses and general administration expenses are not included in the manufacturing cost.

In order to compute the cost of goods sold, manufacturing costs are adjusted by taking into account the movements in stock during the year.

Selling expenses also include the movement in value adjustments of trade receivables, General and administration expenses also include the movement in inventories and other provisions.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 16: Information regarding the employees, the administrators and the directors

No advance payments or credits were granted to the administrators of the Company.

Average number of employees for the period ended on:	**31.03.2017**	**31.03.2018**
Workers	236	229
Technical, economic and administrative personnel	627	635
Total	**863**	**864**

Number of employees on:	**31.03.2017**	**31.03.2018**
Workers	235	228
Technical, economic and administrative personnel	630	625
Total	**865**	**853**

Payroll expenses	**31 March 2017**	**31 March 2018**
Gross salaries during the year	62,485,058	68,917,034
Lunch ticket expenses	1,626,674	1,971,372
Benefits in nature expenses	666,178	687,841
Social insurance contributions	9,973,068	7,811,055
Social health insurance contributions	3,209,490	2,573,166
Contributions to the unemployment fund	310,616	243,135
Contributions to the fund for labour accidents and illnesses	112,518	476,831
National health fund contributions	537,610	420,606
Preliminary salaries taxes	(22,107)	(1,488,634)
TOTAL	**78,899,105**	**81,612,406**

(all amounts are expressed in RON, unless specified otherwise)

NOTA 17: Leasing contracts

The company has no financial leasing contracts at 31.03.2018.

The Company leased through a concession agreement land over a 25-year period, starting from year 1998. Concession royalties payable for the reporting period amount to RON 12,856. The concession royalties paid during the year 2017 are based on the amount payable for year 2016 adjusted with the annual inflation rate.

The Company has also other operational leasing contracts with the following companies:

Company	Contract	The object of contract	No, of used goods
SC ARVAL SRL	Contract nr.11241 / 29.05.2012	Vehicles	224
SC Porsche Mobility SRL	Contract nr.9112934 / 17.06.2014	Vehicles	42
ETA automatizari industriale SRL	Contract nr.194/18.06.2013; Act additional nr. 14/07.06.2016	GPS	77
SC Econocom international Romania SRL	Contract nr. 20160009.1 / 28.06.2016	Tablete	196

Accounting of leases comply with applicable accounting rules and accounting policies of the company.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 18: Other information

a) Information regarding the corporate income tax

The corporate income tax payable by the Company for the current year amounts to RON 20,331,658. The legal tax rate in force is 16%. The effective tax rate for the period is 13.28%, less than standard rate due to tax facilities that the Company has benefited from. The Company had an accounting profit of RON 153,056,085 for the year ended 31 March 2018 and a taxable profit of RON 154,629,107.

The reconciliation between the accounting profit and the taxable profit is presented below:

Crt, no,	Indicators	Row	12 month period ended at 31.03.2017	12 month period ended at 31.03.2018
			Value	Value
1	**Accounting profit before tax**	01	**158,904,257**	**153,056,085**
2	**Amounts related to income from reprocessing**	02		
3	**Deductions**	03	**42,647,058**	**41,569,931**
	Out of which:			
	- deductible tax depreciation and amortization		36,284,606	36,563,198
	- deductibility regarding research expenses		5,796,932	2,538,719
	-deductible provisions		565,520	2,468,014
4	**Non-taxable income**	04	**30,047,285**	**16,270,571**
	Out of which:			
	- other non-taxable income		30,047,285	16,270,571
5	**Non-deductible expenses**	05	**64,274,082**	**59,413,524**
	Out of which:			
	- fines, taxes and penalties due to the Romanian Authorities		50,685	5,235,995
	- protocol and sponsorship expenses in excess of the allowable level		999,680	3,034,801
	- non-deductible provisions		12,799,669	8,726,734
	- other non-deductible expenses, including accounting depreciation		50,424,048	42,415,994
6	**Losses in prior years**	06		
7	**Taxable profit (row 01 + row 02 – row 03-row 04 + row 05- row 06)**	07	**150,483,996**	**154,629,107**
8	**Total corporate income tax**	08	**24,077,439**	**24,740,657**
	Out of which:			
	- corporate income tax at the rate of 16 %		24,077,439	24,740,657
9	**Corporate income tax reductions calculated in accordance with applicable regulations**	09	**1,511,614**	**4,408,999**
10	**Corporate income tax due (row 08 – row 10)**	10	**22,565,825**	**20,331,658**
11	Income tax related to previous years' rectifications	11	**-**	**23,512**
12	**Income tax due (row 10- row 11)**	12	**22,565,825**	**20,308,146**
13	**Net accounting profit (row 01 - row 12)**	13	**136,338,432**	**132,747,939**
14	**Tax payments made in advance for the period**	14	**19,545,928**	**22,162,360**
15	**Income tax payable/ to be recovered**	15	**2,292,713**	**-3,169,814**

b) Other information

As of the balance sheet date, the Company has a credit facility with Unicredit Bank Romania amounting to EUR 1,000,000 used as security for the issuance of letters of guarantee and for financing the current expenses and a facility of 4,000,000 EUR as a guarantee for Forex contracts. This credit facility represents an off balance sheet item and, consequently, is not reflected in the balance sheet of the Company as at 31 March 2018.

The amount paid for consultancy services during the period 01.04.2017-31.03.2018 amounts to RON 344,158 and relates to the following:

- management consultancy fees, amounting to RON 120,818;
- other consultancy services fees, amounting to RON 223,340.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 19: Analysis of main financial ratios

FINANCIAL RATIOS	VALUE	VALUE
	12 month period ended at 31.03.2017	**12 month period ended at 31.03.2018**
1. LIQUIDITY RATIOS		
A. CURRENT LIQUIDITY RATIO – *index* -	4.38	6.05
(current assets/current liabilities)		
B. ACID TEST RATIO - *index* -	3.76	5.50
(current assets - inventories/current debts)		
2. RISK RATIOS		
A. GEARING RATIOS		
(long term loans/equity)*100	Shall not be calculated	Shall not be calculated
(long term loans/(equity + loan long term portion)*100	Shall not be calculated	Shall not be calculated
B. INTEREST COVERAGE RATIO		
(profit before interest and corporate income tax / interest expense) – RON	-	-
3. ACTIVITY RATIOS		
A. STOCK TURNOVER - number of rotations	3.29	4.07
(cost of sales / average inventory balances)		
B. STOCK DAYS – days-	111.05	89.66
(average inventory balances / sales cost x 365)		
C. DEBTORS' DAYS–days-	163.99	152.11
(average trade debtors' balances / turnover)*365		
D. RECEIVABLES TURNOVER - number of rotations	1.70	2.03
(turnover / non-current assets)		
E. TOTAL ASSETS TURNOVER - number of rotations	0.66	0.66
(turnover / total assets)		
4. PROFITABILITY RATIOS		
A. RETURN ON CAPITAL EMPLOYED %	21.95	17.47
(profit before interest and corporate income tax / (equity +loan long term portion)		
B. GROSS PROFIT MARGIN %	59.06	58.26
(gross profit / turnover x 100)		
5. PROFITABILITY PER SHARE		
A. EARNING PER SHARE - RON/*share*		
(net distributable profit / weighted average number of ordinary shares)	0.54	0.53
Net distributable profit	136,338,432	132,747,939
Weighted average number of ordinary shares used in the calculations	250,213,547	250,213,547

NOTE 20: Contingent liabilities

The Romanian Government has agencies authorized to perform controls of the companies which develop their activity in Romania. This controls are similar in nature with the tax controls performed by the tax authorities from the majority of the countries of European Union but can be extended not only to tax aspects but also to other legal aspects and regulations in the domains in which those agencies perform. It is probable that the Company will make the object of regular controls as new laws and regulations are issued.

The Company considers that all fiscal liabilities for the reporting period were recorded and presented in the financial statements.

The Company has as at 31 March 2018 letters of guarantee amounting to RON 414,941.39 issued for the following:

- execution and administration of the residual waste warehouse located in Cluj-Napoca, Pata Rat;
- lease contract for the office premises located in Bucharest, Bld, Dimitrie Pompeiu, no, 9-9A-secondary branch.

Capital commitments as at 31.03.2018 are in amount of RON 11,152,030 out of which RON 9,231,357 are related to plant and machinery, RON 1,879,227 are related to measuring and control equipments, RON 41,446 are related to software and IT equipments.

The Emergency Order no. 104/2009 published in the Official Monitor no. 669/07.10.2009 for the amendment and completion of Law no. 95/2006 regarding the Health reform established that the owners of market authorizations, for drugs issued on prescription, who collect money from marketing on the Romanian market of those drugs, should pay a quarterly contribution for financing of some health expenses.

The norms and instructions of the Ministry of Health and of the National House of Health Insurance for implementing the provisions of the Emergency Ordinance no. 104/2009 represent an insufficient framework for establishing the payment obligations related to the quarterly contribution for financing of health expenses.

The provisions of Law no. 95/2006 regarding healthcare reform established by the Emergency Ordinance no. 104/2009 have been revoked by the Emergency Ordinance no. 77/2011 published in the Official Gazette no. 680/26.09.2011.

Considering the regulations mentioned above there exists the risk that subsequent obligations might be established for the Company regarding this tax (claw back) for period 01.10.2009 – 30.09.2011 and accordingly the Company has booked a provision for risks and expenses.

Since the fourth quarter of 2011, based on the Emergency Ordinance 77/201, the tax payment obligations regarding claw back were calculated by the company based on information received from the National Health Insurance House. The company contested the information received for each quarter.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 20: Contingent liabilities (continued)

For the reported period, the fee calculated and paid at maturity by the company was RON 51,240,201. The company contested the information received for each quarter of the reporting period due to errors found in the basis for calculating the fee received from the National Health Insurance House. No legal actions were initiated in the reporting period. Responses received or in pending are in the evaluation and management discretion.

NOTE 21: Risk management

The following is a summary of the nature of activities and management policies with respect to risk management:

i) Foreign currency risk and inflation

The Company is exposed to currency risk through sales and purchases transactions that are denominated in currencies other than RON. The exchange rate risk is mainly related to transactions in EUR, in RUB and PLN.

Important exchange restrictions and controls exist relating to converting RON into other currencies. Currently, there is no other market for conversion of RON in foreign currency outside Romania.

In respect of monetary assets and liabilities held in currencies other than RON the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and where necessary, uses forward operations.

The value of monetary current assets and current liabilities held in local and foreign currencies at 31 March 2018 can be analysed as follows:

	RON	USD	EUR	Other currencies	Total
Current assets					
Trade receivables	205,093,061	244,806	23,801,100	68,216,134	297,355,101
Cash and cash equivalents	303,985,416	4,555,307	10,814,916	9,772,357	329,127,996
Total current assets	**509,078,477**	**4,800,113**	**34,616,016**	**77,988,491**	**626,483,097**
Current liabilities					
Loans	-	-	-	-	-
Trade payables	28,148,630	7,859,830	24,299,399	21,302,198	81,610,057
Total current liabilities	**28,148,630**	**7,859,830**	**24,299,399**	**21,302,198**	**81,610,057**

ii) Interest rate risk

The Company has implemented a cash management policy to closely monitor the idle funds.

(all amounts are expressed in RON, unless specified otherwise)

NOTE 21: Risk management (continued)

Accordingly, most of the Company's interest bearing assets as at 31 March 2018 comprises the short-term investments in bank deposits. These assets have variable interest rates reprised at maturity at the discretion of the financial instrument issuer.

iii) Credit risk

In the normal course of its business, the Company is subject to credit risk principally from trade debtors, Management closely monitors its exposure to credit risk on a regular basis.

The Company has used the following methods to hedge against the trading risk: assignment of receivables. At 31.03.2018, the company has covered the risk of default for 92.19% of the outstanding receivables from the domestic market.

The main customers of the Company are the major distributors of medicines that operate on Romanian market.

More than half of the turnover of the company is sales to top 10 distributors.

NOTE 22: Fundamental errors

During the period 01.04.2017-31.03.2018, the Company did not record any adjustments in the accounting records related to fundamental errors discovered in prior years' financial statements.

NOTE 23: Subsequent events

On 4th of April 2018 the High Court of Cassation and Justice has ruled by the Decision 1462/2018 the dismissal of the appeal in annulment made by the contestant National Health Insurance House against the Decision 3070/2017 pronounced by the High Court of Cassation and Justice as inadmissible.

By the Decision 3070/2018 the High Court of Cassation and Justice decided the annulment of the appeal declared by the National Health Insurance House against the sentence 238/2015 pronounced by the Cluj Court of Appeal.

By the sentence 238/2015, the Cluj Court of Appeal admitted in part the application filed by the Company in contradiction with the National Health Insurance House and ordered the cancellation of the notification issued by the National Health Insurance House by the address MS /FD/1899/30.04.2013, through which CNAS communicated the consumption of medication from the National Health Insurance Fund and from the Ministry of Health budget for the first quarter of 2013.

By applying the clawback tax calculation formula has resulted a total payment of RON 8,419,708 that was paid at the maturity. The Company will evaluate and decide on the impact of the Decision 1462/2018 in the first quarter of the financial year April 2018-March 2019.

ADMINISTRATOR,	**DIRECTOR ECONOMIC,**
Dragoş Eugen Damian	**Bogdan Lucian Crăciunaş**