



**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 2019**



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## INDEPENDENT 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, 2019, 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 summary 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, 2019 and its financial performance for the year then ended in accordance with OMFP nr. 1802/2014, including 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 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, 2019 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;



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- 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

Authorized by ASPAAS

No. FA 19 TEMP Nr.14

**Dan Apostol**

**Registered with the Chamber of Financial Auditors in Romania**

No. 1671/25.06.2006

Authorized by ASPAAS

No. FA 19 TEMP Nr.91

Cluj-Napoca, Romania

17.05.2019

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S.C. TERAPIA S.A.  
**BALANCE SHEET**  
For the year ended 31 March 2019  
*(all amounts are expressed in RON, unless specified otherwise)*

**Balance Sheet as at 31 March 2019**  
(in accordance with OMF 1802/2014)

-RON-

Element name	Row no,	Balance as of	
		The beginning of the year 01.04.2018	The end of the year 31.03.2019
A	B	2	3
<b>A. NON-CURRENT ASSETS</b>			
<b>I. INTANGIBLE ASSETS</b>			
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	140,870,847	116,397,976
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	-	-
<b>TOTAL: (row 01 to 06)</b>	<b>07</b>	<b>140,870,847</b>	<b>116,397,976</b>
<b>II. TANGIBLE ASSETS</b>			
1. Freehold land and buildings (account 211+212-2811-2812-2911-2912)	08	145,398,445	143,389,113
2. Plant and machinery (account 213+223--2813-2913)	09	48,493,519	48,197,821
3. Other plant, machinery and fixtures (account 214+224-2814-2914)	10	2,022,435	1,812,278
4. Real estate investments (account 215-2815-2915)	11	-	-
5. Tangible fixed assets in progress (account 231-2931)	12	891,074	3,962,215
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	10,655	200,925
<b>TOTAL: (row 08 to 16)</b>	<b>17</b>	<b>196,816,128</b>	<b>197,562,352</b>
<b>III. LONG-TERM FINANCIAL INVESTMENTS</b>			
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	36,604	36,439
<b>TOTAL: (row 18 to 23)</b>	<b>24</b>	<b>36,604</b>	<b>36,439</b>
<b>TOTAL NON-CURRENT ASSETS ( row 07+17+24)</b>	<b>25</b>	<b>337,723,579</b>	<b>313,996,767</b>
<b>B. CURRENT ASSETS</b>			
<b>I. INVENTORIES</b>			
1. Raw materials and consumables (account 301+321+302+322+303+323+/-308+351+358+381+328+/-388-391-392-3951-3958-398)	26	19,373,872	22,820,533
2. Work in progress (account 331+332+341+/-348-393-3941-3952)	27	4,620,877	3,163,678

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

Element name	Row no,	Balance as of	
		The beginning of the year 01.04.2018	The end of the year 31.03.2019
A	B	2	3
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	38,122,832	44,847,441
4. Advance payments for the acquisition of inventories (account 4091)	29	376,266	969,540
<b>TOTAL (row 26 to 29)</b>	<b>30</b>	<b>62,493,847</b>	<b>71,801,192</b>
<b>II. RECEIVABLES</b>			
1. Trade receivables (account 2675+2676+2678+2679-2966-2968+4092+411+413 +418-491)	31	252,228,773	201,341,534
2. Receivables from non-consolidated associated companies (account 451-495)	32	45,126,328	38,965,782
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	7,364,985	6,199,843
5. Subscribed and not paid in share capital (account 456-495)	35	-	-
Receivables representing dividends distributed during the financial year (account 463)	36	-	-
<b>TOTAL (row 31 to 35)</b>	<b>37</b>	<b>304,720,086</b>	<b>246,507,159</b>
<b>III. SHORT TERM INVESTMENTS</b>			
1. Investments in subsidiaries (account 501-591)	38	-	-
2. Other short term investments (account 505+506+508-595-596-598+5113+5114)	39	-	78,829,981
<b>TOTAL (row 37 to 38)</b>	<b>40</b>	<b>-</b>	<b>78,829,981</b>
<b>IV. PETTY CASH AND BANK ACCOUNT BALANCES</b>			
(account 5112+512+531+532+541+542)	41	329,127,996	21,189,601
<b>CURRENT ASSETS - TOTAL (row 30+36+39+40)</b>	<b>42</b>	<b>696,341,929</b>	<b>418,327,933</b>
<b>C. ACCRUED EXPENSES (account 471) (row 43+44)</b>			
Amounts taken over a period of up to 1 year	44	561,279	714,646
Amounts taken over a period of more than 1 year	45	-	-
<b>D. LIABILITIES: AMOUNTS DUE WITHIN ONE YEAR</b>			
1. Debenture loans (account 161+1681-169)	46	-	-
2. Amounts owed to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+ 5198)	47	-	-
3. Advance payments received for orders (account 419)	48	5,947	443,965
4. Trade debts – suppliers (account 401+404+408)	49	49,836,966	57,713,334
5. Bills of exchange payable (account 403+405)	50	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	51	31,773,091	29,281,397
7. Amounts due to other equity investments (account 1663+1686+2692+453)	52	-	-
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)	53	32,805,228	67,271,177
<b>TOTAL: (row 45 to 52)</b>	<b>54</b>	<b>114,421,232</b>	<b>154,709,873</b>



S.C. TERAPIA S.A.  
BALANCE SHEET  
For the year ended 31 March 2019  
(all amounts are expressed in RON, unless specified otherwise)

Element name	Row no,	Balance as of	
		The beginning of the year 01.04.2018	The end of the year 31.03.2019
A	B	2	3
<b>E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41+43-53-70-73-76)</b>	<b>55</b>	<b>581,659,025</b>	<b>263,526,889</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES (row 25+44+54)</b>	<b>56</b>	<b>919,382,604</b>	<b>577,523,656</b>
<b>G. LIABILITIES: AMOUNTS DUE AFTER ONE YEAR</b>			
1. Debenture loans (account 161+1681-169)	57	-	-
2. Amounts payable to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+5198)	58	-	-
3. Advance payments received for orders (account 419)	59	-	-
4. Trade debts – suppliers (account 401+404+408)	60	-	-
5. Bills of exchange payable (account 403+405)	61	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	62	-	-
7. Amounts due to other equity investments (account 1663+1686+2692+453)	63	-	-
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)	64	-	-
<b>TOTAL: (row 56 to 63)</b>	<b>65</b>	<b>-</b>	<b>-</b>
<b>H. ACCRUED LIABILITIES</b>			
1. Accrued for employee benefits (account 1515+1517)	66	623,539	595,777
2. Accrued taxes payable (account 1516)	67	8,021,504	9,031,904
3. Other accrued liabilities and provisions (account 1511+1512+1513+1514+1518)	68	26,164,844	13,713,036
<b>TOTAL ACCRUED LIABILITIES &amp; PROVISIONS (row 65 to 67)</b>	<b>69</b>	<b>34,809,887</b>	<b>23,340,717</b>
<b>I. DEFERRED INCOME</b>			
1. Investment subsidies (account 475) (row 70+71)	70	9,078,498	8,255,547
Amounts to be retaken in a period under a year (account 475)	71	822,951	805,817
Amounts to be retaken in a period over a year (account 475)	72	8,255,547	7,449,730
2. Deferred income (account 472) - total (row 73+74) of which:	73	-	-
Amounts to be retaken in a period under a year (account 472)	74	-	-
Amounts to be retaken in a period over a year (account 472)	75	-	-
3. Deferred income related to assets received from customers transfer (ct.478) (row 76+77)	76	-	-
Amounts to be retaken in a period under a year (account 478)	77	-	-
Amounts to be retaken in a period over a year (account 478)	78	-	-
Negative goodwill (account 2075)	79	-	-
<b>TOTAL (row 69+72+75+78)</b>	<b>80</b>	<b>9,078,498</b>	<b>8,255,547</b>



S.C. TERAPIA S.A.  
BALANCE SHEET  
For the year ended 31 March 2019  
(all amounts are expressed in RON, unless specified otherwise)

Element name	Row no,	Balance as of		
		The beginning of the year 01.04.2018	The end of the year 31.03.2019	
A	B	2	3	
<b>J. CAPITAL AND RESERVES</b>				
<b>I. CAPITAL</b>				
1. Subscribed and paid in capital (account 1012)	81	25,021,355	24,993,398	
2. Subscribed and not paid in capital (account 1011)	82	-	-	
3. Patrimony (autonomous companies) (account 1015)	83	-	-	
4. Patrimony of national research and development institutes (account 1018)	84	-	-	
5. Other equity (account 1031)	85	-	-	
<b>TOTAL (row 80 to 84)</b>	<b>86</b>	<b>25,021,355</b>	<b>24,993,398</b>	
<b>II. PREMIUMS RELATED TO CAPITAL (account 104)</b>	<b>87</b>	<b>372,838</b>	<b>372,838</b>	
<b>III. REVALUATION RESERVE (account 105)</b>	<b>88</b>	<b>114,580,541</b>	<b>111,729,676</b>	
<b>IV. OTHER RESERVES</b>				
1. Legal reserve (account 1061)	89	8,617,940	8,617,940	
2. Statutory or contractual capital reserve (account 1063)	90	-	-	
3. Other reserves (account 1068)	91	29,963,220	35,774,842	
<b>TOTAL (row 88 to 90)</b>	<b>92</b>	<b>38,581,160</b>	<b>44,392,782</b>	
Own shares (account 109)	93	810,741	-	
Gains on own equity instruments (account 141)	94	-	-	
Losses on own equity instruments (account 149)	95	-	782,784	
<b>V. PROFIT / (LOSS) BROUGHT FORWARD (account 117)</b>	Balance C	96	572,153,425	214,051,619
	Balance D	97	-	-
<b>VI. PROFIT / (LOSS) FOR THE YEAR (account 121)</b>	Balance C	98	132,747,939	157,787,302
	Balance D	99	-	-
Profit appropriation (account 129)	100	6,329,347	5,811,622	
<b>TOTAL EQUITY (row 85+86+87+91-92+93-94+95-96+97-98-99)</b>	<b>101</b>	<b>876,317,170</b>	<b>546,733,209</b>	
Public patrimony (account 1016)	102	-	-	
Private patrimony (account 1017)	103	-	-	
<b>TOTAL CAPITAL (row 100+101+102) (row 25+41+42-53-64-68-79)</b>	<b>104</b>	<b>876,317,170</b>	<b>546,733,209</b>	

ADMINISTRATOR,  
Dragoş Eugen Damian

ECONOMIC DIRECTOR,  
Bogdan Lucian Crăciunaş

S.C. TERAPIA S.A.  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2019**  
*(all amounts are expressed in RON, unless specified otherwise)*

**Profit and loss account for the year ended 31 March 2019**  
**(in accordance to OMF 1802/2014)**

INDICES	Row no.	Financial year	
		Previous	Current
A	B	1	2
<b>1.Net turnover (row 02 +03-04+ 05+06)</b>	<b>01</b>	<b>686,251,308</b>	<b>726,172,286</b>
Sales of produced goods (account 701+702+703+704+705+706+708)	02	475,536,196	470,556,975
Sales of goods purchased for resale (account 707)	03	372,798,702	431,784,968
Trade discounts granted (account 709)	04	162,083,590	176,169,656
Interest income of entities cancelled from the General Register and which have leasing contracts in progress (account 766)	05	-	-
Subsidies related to the net turnover (account 7411)	06	-	-
2.Inventories variation (account 711)	07	-	562,007
Balance C	08	9,733,297	
Balance D	09	-	-
3.Own production capitalized (account 721+722)	09	-	-
4.Income from revaluation of tangible assets (account 755)	10	77,562	17,631
5.Real estate investments production income (account 725)	11	-	-
6.Income from subsidies (account 7412+7413+7414+7415+7416+7417+7419)	12	-	-
7.Other operating income (account 751+758+7815)	13	5,138,820	1,122,630
- out of which income from negative goodwill	14	-	-
- out of which income from investment subsidies	15	831,617	822,951
<b>TOTAL OPERATING REVENUES (row 01+07-08+09+10+11+12+13)</b>	<b>16</b>	<b>681,734,393</b>	<b>727,874,553</b>
8.a) Expenses related to raw materials and consumables (account 601+602)	17	77,616,789	73,944,207
Other material expenses (account 603+604+606+608)	18	5,254,016	5,717,808
b) Other utilities expenses (electricity, heating and water) (account 605-7413)	19	3,554,123	4,092,019
Expenses regarding goods for resale (account 607)	20	150,445,436	172,588,880
Trade discounts received (account 609)	21	6,465,076	11,261,185
9.Personnel expenses (row 23+24)	22	81,612,406	84,953,926
a) Salaries (account 641+642+643+644)	23	71,576,247	83,132,960
b) Expenses related to social security contributions (account 645)	24	10,036,159	1,820,966
10.a) Value adjustment related to tangible and intangible assets (rd.26-27)	25	37,937,450	38,951,654
a.1) Expenses (account 6811+6813+6817)	26	37,937,450	38,951,654
a.2) Revenues (account 7813)	27	-	-
b) Value adjustment for current assets (row 29-30)	28	(1,503,394)	(416,526)
b.1) Expenses (account 654+6814)	29	8,486,076	7,222,806
b.2) Revenues (account 754+7814)	30	9,989,470	7,639,333
11.Other operating expenses (row 32 la 38)	31	184,576,739	208,053,766
11.1. Third party services expenses (account 611+612+613+614+621+623+624+625+627+628)	32	117,714,419	120,202,755
11.2 Other taxes, duties and similar expenses (account 635+6586)	33	53,983,560	77,020,754
11.3 Compensations, gifts and assets disposed (account 652)	34	871,026	858,182
11.4 Expenses from revaluation of tangible assets (account 655)	35	260,171	-
11.5 expenses related to calamities and other similar events	36	-	-
11.6 Other expenses (account 651+6581+6582+6583+6588)	37	11,747,563	9,972,076

S.C. TERAPIA S.A.  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 March 2019  
*(all amounts are expressed in RON, unless specified otherwise)*

INDICES	Row no, B	Financial year	
		Previous 1	Current 2
A	B		
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	(5,939,132)	(11,469,170)
Expenses (account 6812)	40	398,651	1,145,509
Revenues (account 7812)	41	6,337,783	12,614,679
<b>TOTAL OPERATING EXPENSES (row 17 to 20-21+22+25+25+31+39)</b>	<b>42</b>	<b>527,089,357</b>	<b>565,155,379</b>
<b>OPERATING PROFIT OR LOSS:</b>			
<b>Profit(row 16-42)</b>	<b>43</b>	<b>154,645,036</b>	<b>162,719,174</b>
<b>Loss(row 42-16)</b>	<b>44</b>	-	-
12.Revenues from investments (account 7611+7612+7613)	45	-	-
- from which, income earned from affiliated entities	46	-	-
13.Interest income (account 766)	47	1,641,516	4,926,838
- 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	11,069,673	34,907,062
- from which, income from other financial assets	51	-	-
<b>TOTAL FINANCIAL REVENUES (ROW 45+47+49+50)</b>	<b>52</b>	<b>12,711,189</b>	<b>39,833,899</b>
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	-	11,718
- from which, expenses related to associated companies	57	-	-
Other financial expenses (account 663+664+665+667+668)	58	14,300,140	22,271,241
<b>TOTAL FINANCIAL EXPENSES (row 53+56+58)</b>	<b>59</b>	<b>14,300,140</b>	<b>22,282,959</b>
<b>FINANCIAL PROFIT OR LOSS</b>			
<b>Profit (row 52-59)</b>	<b>60</b>	-	17,550,940
<b>Loss (row 59-52)</b>	<b>61</b>	<b>1,588,951</b>	-
<b>TOTAL REVENUES (row 16+52)</b>	<b>62</b>	<b>694,445,582</b>	<b>767,708,452</b>
<b>TOTAL EXPENSES (row 42+59)</b>	<b>63</b>	<b>541,389,497</b>	<b>587,438,337</b>
<b>18.PROFIT OR LOSS BEFORE TAX</b>			
<b>Profit (row 62-63)</b>	<b>64</b>	<b>153,056,085</b>	<b>180,270,115</b>
<b>Loss (row 63-62)</b>	<b>65</b>		
<b>19.INCOME TAX (account 691)</b>	<b>66</b>	<b>20,308,146</b>	<b>22,482,813</b>
<b>Taxes specific to certain activities (695)</b>	<b>67</b>	-	-
20.Other tax expenses not included above (account 698)	68	-	-
<b>21.NET PROFIT OR LOSS FOR THE YEAR</b>			
<b>Profit (row 64-65-66-67)</b>	<b>69</b>	<b>132,747,939</b>	<b>157,787,302</b>
<b>Loss (row 65+66+67-64)</b>	<b>70</b>	-	-

ADMINISTRATOR,  
Dragoş Eugen Damian

ECONOMIC DIRECTOR,  
Bogdan Lucian Crăciunaş

S.C. TERAPIA S.A.  
**CASHFLOW STATEMENT**  
for the year ended 31 March 2019  
*(all amounts are expressed in RON, unless specified otherwise)*

**Cash flow Statement**  
for the year ended 31 March 2019

	12 month period ended at 31.03.2018	12 month period ended at 31.03.2019
<b>OPERATING ACTIVITIES</b>		
Net profit before taxation and extraordinary items	153,056,085	180,270,115
Adjustments for:		
Loss / profit on disposal of fixed assets	(99,508)	(4,544)
Impairment, depreciation and amortization	37,937,450	38,951,654
Movement in provisions for fixed assets	182,610	(17,631)
Movements in provisions	(5,939,132)	(11,469,170)
Net loss/profit from interest	(1,641,516)	(4,915,120)
Movements in provision for current assets	(1,503,394)	(416,526)
Income from subsidies and unclame dividends	(4,724,563)	(822,951)
Income from short-term financial investments	-	(2,825,503)
The effect of foreign exchange rate changes on short-term financial investments	-	(6,832,729)
<b>Operating profit before changes in working capital</b>	<b>177,268,032</b>	<b>191,917,595</b>
Decrease/(Increase) in trade and other receivables	(24,922,479)	58,872,501
Decrease/(Increase) in inventories	15,600,702	(9,782,684)
(Decrease) / Increase in trade and other liabilities	(2,444,591)	19,061,428
Interest paid	-	(11,718)
Corporate income tax paid	(24,472,802)	(16,712,143)
<b>Cash generated from operating activities</b>	<b>141,028,862</b>	<b>243,344,979</b>
<b>INVESTMENT ACTIVITIES</b>		
Payments for the acquisition of tangible and intangibles assets	(7,148,431)	(15,225,006)
Proceeds from the disposal of fixed assets	496,332	22,174
Payments for the acquisition of short-term financial investments	-	(152,570,007)
Proceeds from sales of short-terms financial investments	-	83,398,258
Interest received	1,641,516	4,926,838
Redemption of own shares	(810,741)	-
<b>Cash generated from investing activities</b>	<b>(5,821,324)</b>	<b>(79,447,744)</b>
<b>FINANCING ACTIVITIES</b>		
Loan repayment	-	-
Dividends paid	(108,729)	(471,835,631)
Loans received	-	-
<b>Cash generated from financing activities</b>	<b>(108,729)</b>	<b>(471,835,631)</b>
Increase / (decrease) in cash and cash equivalent	135,098,809	(307,938,396)
<b>Cash and cash equivalent at 1 April</b>	<b>194,029,187</b>	<b>329,127,997</b>
<b>Cash and cash equivalents at 31 March</b>	<b>329,127,996</b>	<b>21,189,601</b>

ADMINISTRATOR,  
Dragoş Eugen Damian

ECOMOMIC DIRECTOR,  
Bogdan Lucian Crăciunaş

S.C. TERAPIA S.A.  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2019  
*(all amounts are expressed in RON, unless specified otherwise)*

**Statement of Changes in Equity**  
for the year ended 31 March 2019

Elements of shareholders' equity	Balance as at 01.04.2018	Increase		Decrease		Balance as at 31.03.2019
		TOTAL, out of which	From transfer	TOTAL, out of which	From transfer	
0	1	2	3	4	5	6
Share capital	25,021,355	-	-	27,957	27,957	24,993,398
Share premium	372,838	-	-	-	-	372,838
Revaluation reserve	114,580,541	-	-	2,850,865	2,850,865	111,729,676
Legal reserve	8,617,940	-	-	-	-	8,617,940
Statutory or contractual reserves	-	-	-	-	-	-
Other reserves	29,963,220	5,811,622	5,811,622	-	-	35,774,842
Own shares	810,741	-	-	810,741	810,741	0
Earnings related to shareholders equity instruments	-	-	-	-	-	-
Losses related to shareholders equity instruments	-	-	-	-	-	-
Retained earnings representing undistributed accumulated profit or accumulated losses						
Loss from merger						
Effect of first time adoption of IFRS, except for IAS 29						
Retained result from correction of accounting errors						
Retained result representing the revaluation reserve surplus						
Retained result from the application of accounting regulations according to the fourth Directive of the European Commission						
Profit or loss for the year						
Profit distribution						
Other losses related to equity instruments						
<b>TOTAL</b>	<b>876,317,170</b>	<b>286,273,974</b>	<b>128,486,673</b>	<b>615,857,936</b>	<b>128,486,673</b>	<b>546,733,209</b>

**S.C. TERAPIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 March 2019**  
*(all amounts are expressed in RON, unless specified otherwise)*

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Equity amounting to RON 546,733,209 has reduced during the year 2018 with the amount of RON 329,583,961. This evolution is due to:

- the net profit of the year amounting to RON 157,787,302;
- the reduction of the retained earnings by the amount of RON 487,371,263 as a result of its distribution for the payment of dividends to the company's shareholders.

**ADMINISTRATOR,**  
Dragoş Eugen Damian

**ECONOMIC DIRECTOR,**  
Bogdan Lucian Crăciunaş

### Notes to the financial statements as of 31.03.2019

These financial statements were prepared by SC Terapia SA (the “Company”) for the year ended the 31 March 2019. 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”).

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.

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 01.04.2018 - 31.03.2019.

#### 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, Galați.

The main shareholder is Sun Pharma (Netherlands) B.V., a limited liability company, organized under Dutch laws, with headquarters at Polarisavenue 87, 2132JH HOOFDORP, 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 2019:**

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

<b>Position</b>	<b>Name</b>
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 2019:**

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

The audit fees for 2018 amount to RON 229,365, from which RON 62,568 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;

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

- 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 accounting 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.
  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.

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

**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 31.03.2019, 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.

**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 31.03.2019, the exchange rates for conversion of balances expressed in foreign currency were 1 USD = 4.2434 RON, 1 EUR = 4.7628 RON, 1 GBP = 5.5401 RON, 1 CHF = 4.2614 RON, 1 PLN = 1.1066 RON și 1 RUB = 0.0657 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.

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

**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.

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.

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

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.

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.

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

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;
- 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.

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

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.

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,



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

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.

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.

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

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.

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.

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

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 day in 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.

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).

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

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 analysis 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.

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.

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

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.

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.

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

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.

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.

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

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.

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



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

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 payment 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 provisions 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.

S.C. TERAPIA S.A.  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2019  
 (all amounts are expressed in RON, unless specified otherwise)

NOTE 3: Non-current assets

Assets elements	Gross book value			
	Balance at 01.04.2018	Increases, including the increases due to revaluation	Disposals, transfers and other discounts	Balance of 31.03.2019
0	1	2	3	4
<b>I, Intangible assets</b>				
Set-up costs and development costs	-	-	-	-
Licenses, trademarks and other intangibles	238,146,304	699,789	90,009	238,756,085
Other intangible assets	5,193,400	94,266	85,022	5,202,644
Advances for the acquisition of intangible assets	-	-	-	-
Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
<b>Total intangible assets</b>	<b>243,339,704</b>	<b>794,056</b>	<b>175,031</b>	<b>243,958,729</b>
<b>II, Tangible fixed assets</b>				
Land and land improvements	107,739,588	-	-	107,739,588
Buildings	37,909,815	378,536	-	38,288,351
Machinery and equipment	50,096,003	10,654,453	17,631	60,732,825
Other tangible fixed assets	2,038,161	136,551	-	2,174,712
Real estate investments	-	-	-	-
Tangible assets for exploration and evaluation of mineral resources	-	-	-	-
Productive biological assets	-	-	-	-
Tangible fixed assets in progress	891,074	14,240,681	11,169,539	3,962,215
Real estate investments in progress	-	-	-	-
Advances for the acquisition of tangible assets	10,655	190,270	-	200,925
<b>Total fixed tangible fixed assets</b>	<b>198,685,296</b>	<b>25,600,490</b>	<b>11,187,170</b>	<b>213,098,616</b>
<b>III, Financial non-current assets</b>	<b>36,604</b>	<b>3</b>	<b>169</b>	<b>36,439</b>
<b>TOTAL – Non-current assets</b>	<b>442,061,604</b>	<b>26,394,548</b>	<b>11,362,370</b>	<b>457,093,783</b>

S.C. TERAPIA S.A.  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2019  
(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
<b>I, Intangible assets</b>				
Set-up costs and development costs	-	-	-	-
Licenses, trademarks and other intangibles	98,317,288	24,499,571	90,008,70	122,726,850
Other intangible assets	4,151,569	767,356	85,022	4,833,902
Advance payments for intangible non-current assets	-	-	-	-
Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
<b>Total intangible assets</b>	<b>102,468,857</b>	<b>25,266,927</b>	<b>175,031</b>	<b>127,560,752</b>
<b>II, Tangible fixed assets</b>				
Land and improvements on land	95,285	10,786	-	106,071
Buildings	155,673	2,377,081	-	2,532,754
Machinery and equipment	1,602,484	10,950,152	17,631	12,535,005
Other tangible fixed assets	15,726	346,707	-	362,433
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	-	-	-	-
<b>Total Tangible fixed assets</b>	<b>1,869,168</b>	<b>13,684,726</b>	<b>17,631</b>	<b>15,536,264</b>
<b>III, Financial non-current assets</b>				
	-	-	-	-
<b>TOTAL – Non-current assets</b>	<b>104,338,025</b>	<b>38,951,653</b>	<b>192,662</b>	<b>143,097,016</b>

S.C. TERAPIA S.A.  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2019**  
*(all amounts are expressed in RON, unless specified otherwise)*

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**NOTE 3: Non-current assets (continued)**

The net book value of the non-current assets as of 31 March 2019 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.

The last revaluation was made at 31.03.2018 by an independent valuer.

**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 movements in value adjustments for fixed assets for period 01.04.2018-31.03.2019 are presented below.

Crt. No.	Name of the value adjustments	Balance at	Movements during the year		Balance at
		01.04.2018	Increase	Reversal	31.03.2019
0	1	2	3	4	5=2+3-4
1	Impairment provision for tangible fixed assets	1,869,168	-	17,631	1,851,537
<b>TOTAL</b>		<b>1,869,168</b>	<b>-</b>	<b>17,631</b>	<b>1,851,537</b>

The tangible assets category comprises land in surface of 177,147 sqm with a net book value as at 31 March 2019 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 2019 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 2019 at a net book value of RON 1,963,083.

Financial assets, amounting to RON 36,439 comprise mainly guarantees granted to Ministry of the Environment for closing and following-up after closing the residual products warehouses.

The last revision of useful economic lives of tangible and intangible fixed assets was made at 31 March 2019, during the annual inventory of assets and during the revaluation process.

Movements in value adjustments in the net amount of 17,631 RON is in relation with the assets sold and written-off.

On 31.03.2019, the Company has assets in progress and advances for tangible assets in amount of RON 4,163,141. The main component in this amount referring to the plant and machinery.

The book value of the fully depreciated tangible fixed assets which are still in use as at 31 March 2019 is RON 82,834,594.

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**NOTE 3: Non-current assets (continued)**

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

- buildings	1,995,933
- technological equipment	58,053,689
- measurement, control, regulation devices and installations	16,789,154
- vehicles	3,969,116
- others	<u>2,026,702</u>
<b>Total</b>	<b>82,834,594</b>

**NOTE 4: Capital investments**

During the year the investments in tangible and intangible assets amounted to RON 15,225,005.

Investments performed during the reporting period of 2018-2019 are for the main activities of the company as follows:

- technological equipments	79.02%
- quality control	13.69%
- licences	4.60%
- information technology and software	1.93%
- bioequivalence	0.90%

**NOTE 5: Inventories**

Stock description	31 March 2018	31 March 2019
Raw materials and consumables	22,818,606	25,193,805
Work in progress	4,645,735	3,608,211
Finished products	12,650,783	14,196,017
Goods purchased for resale	27,588,951	33,816,363
Advance payment for the purchases of inventories	376,266	969,540
Provisions against the carrying value of inventories	(5,586,494)	(5,982,744)
<b>Total inventories</b>	<b>62,493,847</b>	<b>71,801,192</b>

**NOTE 6: Receivables and payables**

Receivables	Balance at 31 March 2018	Balance at 31 March 2019	Maturity term	
			Under 1 year	Over 1 year
1. Trade receivables	270,364,726	218,458,494	203,287,961	15,170,533
2. Receivables from affiliated companies	45,126,328	38,965,782	38,965,782	-
3. Other receivables	7,364,985	6,199,843	6,199,843	-
4. Provisions for receivables	(18,135,953)	(17,116,960)	(17,116,960)	-
<b>TOTAL</b>	<b>304,720,086</b>	<b>246,507,159</b>	<b>231,336,626</b>	<b>15,170,533</b>

**NOTE 6: Receivables and payables (continued)**

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:

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

Payables	Balance at 31 March 2018	Balance at 31 March 2019	Repayment term		
			Under 1 year	1 – 5 years	Over 5 years
1. Suppliers - other	49,386,879	55,646,060	55,646,060		
2. Suppliers - intercompany	31,773,091	29,281,397	29,281,397		
3. Fixed assets suppliers	450,087	2,067,274	2,067,274		
4. Advances received from customers	5,947	443,965	443,965		
5. Payables to employees	12,207,646	12,799,559	12,799,559		
6. Social security and unemployment fund	1,963,887	2,165,361	2,165,361		
7. Taxes and duties payable	18,295,609	33,750,273	33,750,273		
8. Dividends payable	-	15,535,632	15,535,632		
9. Other liabilities	338,086	3,020,352	3,020,352		
<b>TOTAL</b>	<b>114,421,232</b>	<b>154,709,873</b>	<b>154,709,873</b>		

As at 31 March 2019, the suppliers' liabilities comprise the liabilities for the services supplied amounting to RON 9,308,587 for which the Company did not receive invoices until 31 March 2019.

**NOTE 7: Cash and cash equivalents**

-RON-

Description	31 March 2018	31 March 2019
Petty cash and other values	5,015	6,355
Cash at bank	328,997,270	21,021,538
Guarantees received from warehouse keepers	125,711	161,708
<b>Total cash and cash equivalents</b>	<b>329,127,996</b>	<b>21,189,601</b>

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**NOTE 7: Cash and cash equivalents (continued)**

The Company has at 31 March 2019 restricted cash balances amounting to RON 161,708 representing guarantees received from warehouse keepers.

**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 606,031 for goods for resale and RON 45,585 for finished goods. Management considers that there is an increased risk for these goods of not being sold.

The movement during the period 01.04.2018-31.03.2019 in the value of provisions is presented in the following table:

Crt. No.	Name of the value adjustments	Balance at 31 March 2018	Movements during the year		Balance at 31 March 2019
			Increase	Reversal	
0	1	2	3	4	5=2+3-4
1	Allowances for inventories	5,586,494	6,720,735	6,324,485	5,982,744
2	Allowances for doubtful trade receivables' balances	18,135,953	295,855	1,314,848	17,116,960
<b>TOTAL</b>		<b>23,722,447</b>	<b>7,016,590</b>	<b>7,639,333</b>	<b>23,099,704</b>

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**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 2018 – 31 March 2019 with the Group companies, as well as the related balances as of 31 March 2019 are presented below:

**Transactions**

<b>Purchases of goods and services</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Ranbaxy Poland Sp Zoo - services	30,294,522	31,173,273
Basics GmbH – services	256	
Ranbaxy (Netherlands) BV- services	139,222	
Sun Pharmaceutical Industries Ltd -goods	96,424,408	111,396,485
Alkaloida Chemical Company Zrt. – goods	322,352	75,772
Sun Pharmaceutical Industries Europe – services	2,462,722	2,129,937
Sun Pharmaceutical Industries Inc New J- goods	82,593	
Aditya Acquisition Company Ltd. – services	254,358	145,655
Sun Pharma Anz Pty Ltd.- materials	56,923	
Sun Pharma Global Fze - goods	79,088	1,228,739
<b>Total</b>	<b>130,116,444</b>	<b>146,149,861</b>

<b>Sales of goods and services</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
ZAO Ranbaxy Russia- goods	57,166,148	62,042,198
Ranbaxy (UK) Ltd, – London - goods	12,336,114	8,210,729
Ranbaxy (UK) Ltd, – London - services	258,164	142,642
Ranbaxy Pharmacie Generique France -goods	2,281,197	2,270,875
Basics GMBH - goods	338,533	44,455
Basics GMBH - services	9,799	5,566
Ranbaxy Poland - goods		4,163
LLC Ranbaxy Pharmaceuticals Ukraine -goods	13,919,273	21,290,464
Ranbaxy Italy Spa – goods	1,054,802	203,778
Ranbaxy Italy Spa - services	15,814	6,263
Ranbaxy Spain – goods	1,000,395	107,341
Ranbaxy Spain - services	55,388	7,410
Sun Pharmaceutical Industries Ltd -services	9,748,287	9,969,742
Sun Pharmaceutical Industries Europe – goods	1,098,576	178,435
Sun Pharmaceutical Industries Europe - services	8,786,099	8,432,048
Alkaloida Chemical Company Zrt. – equipment	142,528	
Alkaloida Chemical Company Zrt. – services	1,165	
Sun Laboratories FZE - goods		218,086
Sun Pharmaceutical Gemanía- goods		300,306
Sun Pharmaceutical Gemanía - services		2,779
<b>Total</b>	<b>108,212,282</b>	<b>113,437,280</b>



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**NOTE 9: Related parties (continued)**

**Balances**

<b>Payables</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Basics GMBH	256	
Ranbaxy Poland Sp Zoo	7,957,743	10,541,973
Sun Pharmaceutical Industries Ltd.	22,612,141	17,931,968
Alkaloida Chemical Company Zrt.	154,894	
Aditya Acquisition Company Ltd.	41,726	189,988
Sun Pharmaceutical Industries Europa	927,243	617,468
Sun Pharma Global Fze	79,088	
<b>Total</b>	<b>31,773,091</b>	<b>29,281,397</b>

<b>Receivables</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
ZAO Ranbaxy Russia	27,655,667	30,829,973
Ranbaxy (UK) Ltd. – London	2,006,530	545,647
Ranbaxy Pharmacie Generique France	201,292	509,423
Ranbaxy Italy SPA	770,798	
Ranbaxy Ukraine		1,699,742
Sun Pharmaceutical Industries Ltd.	12,381,929	
Sun Pharmaceutical Industries Europe	2,110,112	1,059,218
Ranbaxy Laboratories India		4,099,892
Sun Laboratories FZE		221,887
<b>Total</b>	<b>45,126,328</b>	<b>38,965,782</b>

<b>Collections</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
ZAO Ranbaxy Russia	63,097,922	61,019,371
Ranbaxy (UK) Ltd. – London	10,589,829	9,812,270
Ranbaxy Pharmacie Generique France	2,079,715	1,963,898
Basics GMBH	352,811	50,021
LLC Ranbaxy Pharmaceuticals Ukraine	18,259,808	19,591,562
Ranbaxy Italy Spa	396,907	978,876
Ranbaxy Spain	1,263,132	114,751
Sun Pharmaceutical Industries Europe	8,797,404	9,662,136
Sun Pharmaceutical Industries Ltd.	14,000,223	18,123,990
Alkaloida Chemical Company Zrt.	143,693	-
Sun Pharmaceuticals Germany GmbH	-	303,085
RANBAXY (Poland) Sp. z o.o.	-	4,163
<b>Total</b>	<b>118,981,442</b>	<b>121,624,123</b>

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**NOTE 9: Related parties (continued)**

<b>Payments</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Ranbaxy Poland Sp Zoo	29,733,259	28,702,788
Ranbaxy (Netherlands) BV	139,222	-
Ranbaxy Italy Spa	-	68,062
Sun Pharmaceutical Industries Europe	2,519,954	3,204,245
Sun Pharmaceutical Industries Ltd.	109,246,048	116,619,698
SUN PHARMA GLOBAL (FZE)	-	1,293,157
Alkaloida Chemical Company Zrt.	167,454	230,670
Sun Pharmaceutical Industries Inc New J	139,196	-
Aditya Acquisition Company Ltd.	818,937	-
Sun Pharma Anz Pty Ltd.	56,923	-
Sun Pharma(Netherlands)B.V	-	89,050
Basics GmbH	-	256
<b>Total</b>	<b>142,820,993</b>	<b>150,207,926</b>

**NOTE 10: Provisions**

Classification of provisions	Balance at 31 March 2018	Transfers		Balance at 31 March 2019
		To account	From account	
0	1	2	3	4
1 Provisions for retirement benefits	623,539	39,942	67,704	595,777
2 Provisions for taxes	8,021,504	1,105,567	95,167	9,031,904
4 Provisions for restructuring	-	-	-	-
5 Other provisions for expenses	26,164,844	-	12,451,808	13,713,036
<b>Total</b>	<b>34,809,887</b>	<b>1,145,509</b>	<b>12,614,679</b>	<b>23,340,717</b>

Other provisions for expenses are provisions for the tax owed to the Health Ministry amounting to RON 13,683,036 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 9,031,904 as at 31 March 2019.

**NOTE 11: Investment subsidies**

The company has benefited in previous period by grants for fixed assets from the government and from the European Union.

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

**NOTE 11: Investment subsidies (continued)**

On 31.03.2019 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 31.03.2019	Period in which it will be amortised (months)
Government subsidies	Buidings	892,500	288,194	93
	IT equipments	26,313	15,349	21
European Union subsidies	Buildings	4,970,466	4,334,809	314
	Plant and machinery	5,663,254	3,519,536	76
	Laboratory equipments	217,611	97,660	16 - 76
<b>Total</b>		<b>11,770,144</b>	<b>8,255,548</b>	

**NOTE 12: Investments and sources of financing**

As of 31 March 2019, share capital amounted to RON 24,993,398, and was divided into 249,933,981 fully paid shares with a nominal value of RON 0.1. Subscribed capital is fully paid.

At the beginning of the year 2019, the capital amounted to RON 25,021,355.

During the reporting period, the share capital was reduced by 27,957 lei as a result of the cancellation of shares redeemed in 2017.

The Company had no bond certificates issued as of 31 March 20189 and 31 March 2018.

**NOTE 13: Profit appropriation**

Profit appropriation	01.04.2017-31.03.2018	01.04.2018-31.03.2019
Net profit to be distributed:	132,747,939	157,787,302
- legal reserve	-	-
- use of accounting loss	-	-
- dividends	-	-
- tax facilities	6,329,347	5,811,622
Profit not distributed	126,418,592	151,975,680
<b>Total</b>	<b>126,418,592</b>	<b>151,975,680</b>

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**NOTE 13: Profit appropriation (continued)**

From the net profit amounted to RON 157,787,302 the amount of RON 5,811,622 was allocated to reserves representing the profit reinvested in the financial year 2018 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 151,975,680.

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 2019.

**NOTE 14: Turnover**

	31.03.2018	31.03.2019
<b>Net turnover out of which:</b>	<b>686,251,308</b>	<b>726,172,286</b>
- domestic sales	473,271,422	510,367,084
- export sales	212,979,886	215,805,202

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

	31.03.2019
Romania	510,367,084
Russia	62,046,494
Poland	80,752,213
India	9,969,742
Ukraine	21,290,464
Other countries	41,746,289
<b>Total</b>	<b>726,172,286</b>

Net turnover comprises the amounts from sale of goods and rendering of services during the period 01.04.2018-31.03.2019.

**NOTE 15: Operating result analysis**

Indicator	Previous year as at 31.03.2018	Current year as at 31.03.2019
1	2	3
<b>A. Net turnover</b>	<b>686,251,308</b>	<b>726,172,286</b>
<b>B. Cost of goods sold and services rendered (3+4+5+6)</b>	<b>286,457,890</b>	<b>284,287,948</b>
3. Main activity expenses	70,065,963	60,239,448
4. Cost of goods purchased	143,980,360	161,327,694
5. Costs of sundry activities	4,667,369	4,731,146
6. Indirect production expenses	67,744,198	57,989,659
<b>C. Gross profit (1 – 2)</b>	<b>399,793,418</b>	<b>441,884,338</b>
8. Research expenses	12,576,822	12,694,837
9. Selling expenses	133,275,149	152,596,352
10. General and administration expenses	104,335,723	114,992,061
11. Other operating income	5,039,312	1,118,086
<b>D. Operating profit (7 – 8 – 9 – 10 + 11)</b>	<b>154,645,036</b>	<b>162,719,174</b>

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**NOTE 15: Operating result analysis (continued)**

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.

**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:	31.03.2018	31.03.2019
Workers	229	224
Technical, economic and administrative personnel	635	613
<b>Total</b>	<b>864</b>	<b>837</b>

Number of employees on:	31.03.2018	31.03.2019
Workers	228	233
Technical, economic and administrative personnel	625	612
<b>Total</b>	<b>853</b>	<b>845</b>

Payroll expenses	31 March 2018	31 March 2019
Gross salaries during the year	68,917,034	80,267,118
Lunch ticket expenses	1,971,372	1,913,424
Benefits in nature expenses	687,841	952,418
Social insurance contributions	7,811,055	(5,115)
Social health insurance contributions	2,573,166	(1,785)
Contributions to the unemployment fund	243,135	54
Contributions to the fund for labour accidents and illnesses	476,831	
Insurance contribution for work		1,818,631
National health fund contributions	420,606	(291)
Preliminary salaries taxes	(1,488,634)	9,472
<b>TOTAL</b>	<b>81,612,406</b>	<b>84,953,926</b>

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**NOTA 17: Leasing contracts**

The company has no financial leasing contracts at 31.03.2019.

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 13,165. The concession royalties paid during the year 2018 are based on the amount payable for year 2017 adjusted with the annual inflation rate.

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

<b>Company</b>	<b>Contract</b>	<b>The object of contract</b>	<b>No. of used goods</b>
SC ARVAL SRL	Contract no.11241 / 29.05.2012	Vehicles	243
SC Porsche Mobility SRL	Contract no.9112934 / 17.06.2014	Vehicles	12
LeasePlan Romania SRL	Contract no. 100664/2 / 25.05.2018	Vehicles	12
ETA automatizari industriale SRL	Contract no.194/18.06.2013; Act additional no. 14/07.06.2016	GPS	77
SC Econocom international Romania SRL	Contract no. 20160009.1 / 28.06.2016	Tablets	195

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

**NOTE 18: Other information**

**Information regarding the corporate income tax**

The corporate income tax payable by the Company for the current year amounts to RON 22,482,813. The legal tax rate in force is 16%. The effective tax rate for the period is 12.56%, less than standard rate due to tax facilities that the Company has benefited from. The Company had an accounting profit of RON 180,270,115 for the year ended 31 March 2018 and a taxable profit of RON 176,525,288.

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**NOTE 18: Other information (continued)**

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

Crt, no,	Indicators	Row	12 month period ended at 31.03.2018	12 month period ended at 31.03.2019
			Value	Value
1	Accounting profit before tax	01	153,056,085	180,270,115
2	Amounts related to income from reprocessing	02		
3	Deductions	03	41,569,931	39,795,736
	Out of which:			
	- deductible tax depreciation and amortization		36,563,198	37,313,617
	- deductibility regarding research expenses		2,538,719	2,458,014
	-deductible provisions		2,468,014	24,105
4	Non-taxable income	04	16,270,571	20,056,285
	Out of which:			
	- other non-taxable income		16,270,571	20,056,285
5	Non-deductible expenses	05	59,413,524	56,107,194
	Out of which:			
	- fines, taxes and penalties due to the Romanian Authorities		5,235,995	625
	- protocol and sponsorship expenses in excess of the allowable level		3,034,801	3,484,039
	- non-deductible provisions		8,726,734	8,162,099
	- other non-deductible expenses, including accounting depreciation		42,415,994	44,460,431
6	Losses in prior years	06		
7	Taxable profit (row 01 + row 02 – row 03-row 04 + row 05- row 06)	07	154,629,107	176,525,288
8	Total corporate income tax	08	24,740,657	28,244,046
	Out of which:			
	- corporate income tax at the rate of 16 %		24,740,657	28,244,046
9	Corporate income tax reductions calculated in accordance with applicable regulations	09	4,408,999	5,605,406
10	Corporate income tax due (row 08 – row 09)	10	20,331,658	22,638,640
11	Income tax related to previous years' rectifications	11	23,512	-155,827
12	Income tax due (row 10- row 11)	12	20,308,146	22,482,813
13	Net accounting profit (row 01 - row 12)	13	132,747,939	157,787,302
14	Tax payments made in advance for the period	14	22,180,089	19,881,957
15	External fiscal credit	15	1,297,871	
16	Income tax payable/ to be recovered	16	-3,169,814	2,600,856

At March 31, 2019, the company has an unused fiscal credit in the amount of RON 1,776,593 for which we will receive the necessary documents in the next period so that it can be used or deducted from the corporate income tax payment.

**NOTE 18: Other information (continued)**

**Other information**

As of the balance sheet date, the Company has from Unicredit Bank Romania :

- a credit facility with amounting to EUR 5,500,000 used as security for the issuance of letters of guarantee and for acreditivs;
- a facility of 4,000,000 EUR as a guarantee for Forex contracts;
- an over draft in amount of USD 20,000,000 for financing general needs.

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 2019.

The amount paid for consultancy services during the period 01.04.2018-31.03.2019 amounts to RON 182,188 and relates to the following:

- management consultancy fees, amounting to RON 59,736;
- other consultancy services fees, amounting to RON 122,452.

The financial activity generated a profit of 17,550,940 lei as shown below.

- I gain from exchange rate differences in the amount of 9,810,318 lei, mainly due to the depreciation of the national currency against the dollar.
- Gaining from short-term financial investments in the amount of 2,825,503 lei, achieved through the appreciation of the market value of the financial instruments and through the coupons related to financial instruments.

During the reporting period, the company made short-term financial investments in dollars in a total amount of 152,570,007 lei respectively 289,124 units of fund worth 119,226,902 lei and bonds worth 33,343,105 lei were purchased.

The fund units generated an income of 2,020,642 lei and the investments in bonds an income of 804,861 lei, the total being of 2,825,503 lei, as we have shown above.

As of 31.03.2019 the short-term financial investments held amounted to 78,829,981 lei, 43,411,394 lei being unit units, respectively 35,418,587 lei bonds.

- The interest income of RON 4,915,120 is generated by bank deposits.



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NOTE 19: Analysis of main financial ratios

FINANCIAL RATIOS	VALUE 12 month period ended at 31.03.2018	VALUE 12 month period ended at 31.03.2019
<b>1. LIQUIDITY RATIOS</b>		
A. CURRENT LIQUIDITY RATIO – <i>index</i> - (current assets/current liabilities)	6.05	2.72
B. ACID TEST RATIO - <i>index</i> - (current assets - inventories/current debts)	5.50	2.25
<b>2. RISK RATIOS</b>		
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		15,385
<b>3. ACTIVITY RATIOS</b>		
A. STOCK TURNOVER - number of rotations (cost of sales / average inventory balances)	4.07	4.23
B. STOCK DAYS – days- (average inventory balances / sales cost x 365)	89.66	86.21
C. DEBTORS' DAYS–days- (average trade debtors' balances / turnover)*365	152.11	135.12
D. RECEIVABLES TURNOVER - number of rotations (turnover / non-current assets)	2.03	2.31
E. TOTAL ASSETS TURNOVER - number of rotations (turnover / total assets)	0.66	0.99
<b>4. PROFITABILITY RATIOS</b>		
A. RETURN ON CAPITAL EMPLOYED % (profit before interest and corporate income tax / (equity +loan long term portion)	17.47	32.97
B. GROSS PROFIT MARGIN % (gross profit / turnover x 100)	58.26	60.85
<b>5. PROFITABILITY PER SHARE</b>		
A. EARNING PER SHARE - RON/ <i>share</i> (net distributable profit / weighted average number of ordinary shares)	0.53	0.63
Net distributable profit	132,747,939	157,787,302
Weighted average number of ordinary shares used in the calculations	250,213,547	249,933,981

**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.

Terapia SA has at 31 March 2019 letter of bank guarantee in the amount of RON 4,199,244 issued by UniCredit Bank in favor of ANAF in order to suspend the execution of the tax decision no. F- MC146.

Also, the Company has as at 31 March 2019 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 31.03.2019 are in amount of RON 5,173,208 out of which RON 3,344,262 are related to plant and machinery, RON 1,360,873 are related to measuring and control equipments, 400,315 RON are related to product licenses purchase contracts, RON 67,758 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 77/2011, 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.

**NOTE 20: Contingent liabilities (continued)**

For the reported period, the fee calculated and paid at maturity by the company was RON 65,533,829. 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 2019 can be analysed as follows:

	RON	USD	EUR	Other currencies	Total
<b>Current assets</b>					
Trade receivables	172,371,574	242,253	12,043,180	55,650,309	240,307,316
Cash and cash equivalents	6,861,658	78,871,621	9,107,164	5,179,139	100,019,582
<b>Total current assets</b>	<b>179,233,232</b>	<b>79,113,874</b>	<b>21,150,344</b>	<b>60,829,448</b>	<b>340,326,898</b>
<b>Current liabilities</b>					
Loans	11,718				11,718
Trade payables	35,178,984	6,852,055	23,127,155	21,836,537	86,994,731
<b>Total current liabilities</b>	<b>35,190,702</b>	<b>6,852,055</b>	<b>23,127,155</b>	<b>21,836,537</b>	<b>87,006,449</b>

**NOTE 21: Risk management (continued)**

**ii) Interest rate risk**

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

Accordingly, most of the Company's interest bearing assets as at 31 March 2019 comprises the short-term financial investments. 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 31.03.2019, the company has covered the risk of default for 90.57% 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 01.04.2018-31.03.2019, the Company did not record any adjustments in the accounting records related to fundamental errors discovered in prior years' financial statements.

**ADMINISTRATOR,**  
**Dragoş Eugen Damian**

**ECONOMIC DIRECTOR,**  
**Bogdan Lucian Crăciunaş**