

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of FARMACEUTICA REMEDIA S.A.

### Opinion

1. We have audited the accompanying financial statements of FARMACEUTICA REMEDIA S.A. ("Company"), comprising the individual statement of financial position as of 31<sup>st</sup> of December 2018, the individual statement of comprehensive income, the individual cash flow statement, the statement of changes in individual equity for the year 2018 and also a summary of the significant accounting policies and the related explanatory notes.
2. The individual financial statements at 31 December 2018 include:
  - Net Asset / Total Equity: 42.031.608 lei
  - Net profit for the year: 2.141.021 lei
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of FARMACEUTICA REMEDIA S.A., and the result of their operations and their cash flows as of December 31<sup>st</sup> 2018 in accordance with OMFP no.2844/2016 regarding Accounting Principles according to the International Financial Reports Standards.

### Basis for opinion

4. We have conducted our audit according to the International Audit Standards. Our responsibilities, based on the standards, are detailed in the "Auditor's responsibility" section of the report. We are independent, according to the Romanian relevant ethical standards and we have accomplished our ethic responsibilities accordingly. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Highlighting some aspects

5. In our professional reasoning, the main issues that formed the basis of our opinion on the consolidated financial statements are:
  - Goodwill sales. As presented in Note 11 "Intangible Assets", the Company sold goodwill representing pharmacy licenses worth 177 thousand lei. Our audit procedures included, among other things, evaluating the sales profit for these transactions.
  - Tangible Assets. The company owns tangible assets and investment property amounting to 34268 thousand lei and have recorded accumulated depreciation amounting to 3956 thousand lei (Note 10 "Tangible assets and real estate investments"). In order to identify the impairment indices of the tangible assets, management should make an estimate of the recoverable amount of the asset to be compared to the net book value. Our audit tests included analysis result evaluation made by an independent appraisal, assumptions that formed the basis of the calculations of the assets analysis, analysis of the useful lives and the depreciation method.
  - Stock evaluation. Stock situation is presented in Note 13 "Inventories", their value at 31.12.2018 is of 14766 thousand lei. These stocks consist mainly of goods in pharmacies and



warehouses. The valuation of the inventories cost is made at the lowest of the acquisition cost and the net realizable value and includes the acquisition price and the trade discounts received. Audit procedures included testing the existence of stockpiles, analyzing stocks impairment, the possibility of the existence of negative margins in terms of net realizable value, the accounting for changes in inventory.

- Claims. The total value of claims is 15355 thousand lei, as presented in Note 14 "Trade receivables and other receivables". Trade receivables have been adjusted with the value of the doubtful receivables taking into account the risk of non-payment and the degree of cash collection. Audit tests included mainly the analyses of the value adjustments to receivables and sample testing of receivables balance.
- Transactions with affiliated parties. In Note 27 "Presentation of transactions with affiliated parties" are mentioned the related legal entities and also the total value of the transactions and balance in 2018, which are analyzed mostly in audit tests.
- Treasury. Note 15 "Cash and cash equivalents" shows the components of cash in bank accounts and cash registers at 31.12.2018, totaling 2573 thousand lei. Audit procedures included the inventory of cash and getting confirmations from banks regarding account balances and significant transactions. The company registered an important decrease of the treasury comparing to 31.12.2017.
- Income. The main category of income earned by the company is sales to population through pharmacies, presented in Note 4 "Revenues from sales and other operating income", with a total of 100610 thousand lei. Taking into account the risks related to revenue recognition, completeness and correctness of their registration, audit tests conducted included evaluation principles under IAS 18 "Revenue", assessing the existence and effectiveness of their internal controls, comparative analysis of gross margin, adjustments analysis.

#### **Other information - Administrators' Report**

6. Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report, but does not include the auditor's financial statements and report, nor the non-financial statement.

Our opinion on the financial statements does not cover this other information and, unless it is explicitly mentioned in our report, we do not express any assurance as to its conclusion.

Administrators are responsible for preparing and presenting the Administrators' report in accordance with OMFP no. 2844/2016 and for such internal control as the administrator consider it necessary to enable the preparation and presentation of the Administrators' report that are free from material misstatement, whether due to fraud or error. Administrators' report is not part of the financial statements.

Regarding the financial statements for the financial year ended 31 December 2018, it is our responsibility to read the Administrators' Report and, in this regard, to assess whether there are significant inconsistencies between the Administrators' Report and the financial statements, if the Administrators' Report includes in all material aspects, the information requested by OMFP no. 2844/2016, annex 1, chapter 3, paragraphs 15-19 and chapter 4, paragraphs 26-28 on Accounting Regulations on International Financial Reporting Standards, and if based on our knowledge and understanding acquired during the audit of financial statements of the Company and in its environment, the information included in the Administrator's Report have significant errors. Based on our ongoing activity, we note that:



- in the Administrators' Report we have not identified any information that is not consistent, in all material respects, with the information presented in the attached financial statements;
- the above mentioned Administrators' Report includes, in all material respects, information required by Order no. 2844/2016, appendix 1, section 3, paragraphs 15-19 and Chapter 4, paragraphs 26-28 of the Accounting Regulations on International Financial Reporting Standards;
- based on our knowledge and understanding acquired during the audit of the financial statements for the financial year ended December 31st 2018 regarding the Company and its environment, we did not identify information included in the Administrators' Report that is materially misstated.

### **Responsibilities of the management and those responsible for governance for the financial statements**

7. Management is responsible for preparing financial statements that give a true and fair image and in accordance with Order no. 2844/2016 and for such internal control as management deems necessary to permit preparation of financial statements free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue its business, to present, if applicable, business continuity and use-of-business accounting, unless the management intends to liquidate the Company or stop operations, or have no realistic alternative outside of them.
9. The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

### **Auditor's responsibilities in an audit of financial statements**

10. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of 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 it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any. Distortions may be caused either by fraud or by error and are considered significant if reasonable assumptions can be made that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.
11. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:
  - We identify and evaluate the risks of material misstatement of financial statements, whether due to fraud or error, we design and execute audit procedures in response to those risks, and obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a significant misstatement caused by error, as fraud may imply secret, false, deliberate omissions, false statements, and avoidance of internal control.
  - We understand the internal audit relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We formulate a conclusion on the suitability of management's use of accounting based on the continuity of activity, and we determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the Company's ability to continue their activity. If we conclude that there is significant uncertainty, we need to draw attention in the auditor's report on the accompanying financial statements or, if these statements are inappropriate, to give a modified opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.
- We evaluate the presentation, structure and content of financial statements, including disclosures, and if the financial statements reflect the transactions and events underlying them in a manner that results in a fair presentation.
- We inform those responsible for governance, among other things, the planned scope and timing of the audit and the main findings of the audit, including any significant deficiencies in internal control, which are identified during the audit.

#### **Report on other legal and regulatory provisions**

11. We have been appointed by the General Assembly of Shareholders on April 26<sup>th</sup>, 2018 to audit the financial statements of Farmaceutica Remedia SA for the financial year 2018. We confirm that during this period we have not provided to the Company restricted non audit services, art. 5 paragraph 1 of EU Regulation No.537 / 2014.

#### **Other issues**

12. This Independent Auditor's Report is addressed solely to the Company's shareholders, and has been conducted to report those issues that we need to report in a financial audit report, and not for other purposes. To the extent permitted by law, we do not accept and assume responsibility only to the Company and its shareholders as a whole for our audit, for this report, or for our opinion.
13. This report is based on the audit engagement partner Carmela Bobocea.

**Bucharest, Romania  
26<sup>th</sup> of March 2019**

On behalf of **INTERAUDIT S.R.L.**

Registered at the Chamber of Financial Auditors of Romania  
No.775/2006

**Auditor: CARMELA BOBOCEA**

Registered at the Chamber of Financial Auditors of Romania  
No.1657/2006

A handwritten signature in blue ink next to a circular stamp. The stamp contains the text 'Camera Auditorilor Financiari din Romania' around the perimeter, and 'Bobocea Carmela Nr. 1657' in the center.