

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Board of Directors of Terapia SA

- 1 We have audited the accompanying financial statements of **SC TERAPIA SA**, as at March 31, 2016, which comprise the balance sheet, the income statement, cash flow, statement of changes in equity, for the year then ended and a summary of significant accounting policies and other explanatory information, all presenting the following:

• Net assets/Total equity:	587.562.611 Ron
• Net result for the year, profit:	115.254.479 Ron
• Turnover	542.112.761 Ron

### *Management's Responsibility for the Financial Statements*

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Ministry of Public Finance no 1802/2014, with all subsequent amendments, 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.

### *Auditor's Responsibility*

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Audit opinion*

- 6 In our opinion, the financial statements of SC Terapia SA for the year ended March 31, 2016, present fairly, in all material respects, the financial position of SC Terapia SA as at March 31, 2016, and its financial performance for the year then ended in accordance with OMFP 1802/2014.

*Other matters*

- 7 The hereto financial statements are not meant to show the financial position, operational result and notes to the financial statements in accordance with other accounting rules and regulations accepted in jurisdictions other than Romania. Consequently, the hereto financial statements are not drawn up for the use of persons that are not familiar with the Romanian accounting rules and regulations including OMFP 1802/2014.

*Report over the conformity of the administrators report*

- 8 The administrators are responsible for the preparation of the administrator's report according to OMFP nr. 1802/2014, articles 489-492, and for such internal control necessary to enable the preparation of an administrator's report that is free from material misstatement, whether due to fraud or error. The administrator's report presented is not part of the individual financial statements. Our audit opinion does not refer to this report.
- 9 As part of our audit, we have read the administrator's report appended to the hereto financial statements and we are reporting that:
- a) We have not found any information that is not consistent in all material aspects with the hereto individual financial statements
  - b) The administrator's report contains all the significant information requested by OMFP 1802/2014, articles 489-492
  - c) Based on our knowledge and understanding, acquired during the audit of the individual financial statements as at 31 March 2016, we have not identified in the administrator's report any information significantly misstated.

**BDO AUDIT S.R.L.**

**Registered at the Chamber of Romanian Financial Auditors:**

With no. 18/02.08.2001

Dan Apostol

Financial Auditor

**Registered at the Chamber of Romanian Financial Auditors:**

**With no. 1671/25.06.2006**

Cluj-Napoca, Romania

23.05.2016

## **Administrators' report for the financial year ended at 31<sup>st</sup> March 2016**

### **Summary identification data of the company:**

Headquarters: Cluj-Napoca, 124 Fabricii Street

Registration number with the Commerce Register Office: J12/2038/2004

Fiscal Code: RO15357398.

The company has other places of business as the following:

- Cluj-Napoca, 10 Bd. Muncii - business office;
- Bucharest, 9-9A Bd. Dimitrie Pompeiu - business office;
- Bucharest, 313 Splaiul Unirii - manufacturing site -without operating activity;
- Other offices in: Iasi, Brasov, Timisoara, Constanta, Craiova, Gala i.
- Pata Rat WN, Cluj ó landfill.

The subscribed and paid share capital as of 31<sup>st</sup> of March 2016 is in amount of RON 25,021,355 divided into 250,213,547 shares of RON 0.1 face value / share. Terapia is a closed company; its shares are not listed. No changes in the reported period related to share capital.

The main shareholder is Ranbaxy (Netherlands) B.V. Holland a limited liability company with private capital, set up on the basis of the Dutch laws, having head offices in Amsterdam, Holland and the office address 55 Roskin, 1012 KK Amsterdam, Holland, registered at the Trade Register of the Amsterdam Chamber of Commerce and Industry under no. 33254757.

The first consolidation is analysed at the level of Ranbaxy Netherlands BV Holland 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.

**Main activity:** Manufacturing of pharmaceutical products, CAEN code 2120.

The Company's products are sold both on the domestic and on the external markets.

## **I. PRESENTATION OF THE ACTIVITY AND THE RESULTS OF THE YEAR ENDED at 31<sup>st</sup> March 2015.**

The pharmaceutical market in Romania was marked mainly by the following factors:

- The prices for prescription drugs are under authority control. *Starting with* 1st of July 2015 new prices for Rx products were approved based on principle: smallest price from 12 EU countries and Generics at 65% from the Original product price. This decision generate a market decrease of 14.76% for the second semester of 2015 vs. similar period of 2014 (calendaristic year).
- Claw back tax due for the prescription drugs consumption in the public health system. *Lack of cash in the system generated by the chronic underfinancing of the* free of charge and compensated drugs consumption is covered by the claw-back tax which varied between 26,10% in Q1 ø15 and 12,63% in Q4 ø15.

For tax payers the tax due is unpredictable and unfair. The base for computation of tax is the drugs consumption recorded in the public health system. Tax level for Original products is the same as the tax as for Generics. Long negotiations for differentiated claw-back took place between the representatives of generics producers and the authority but without finalization till year end.

- According to the market research report of the company CEGEDIM for the calendaristic year 2015:
  - Sales of medicines in Romania decreased with 6.08% last year, to RON 10.9 billion (USD 2.73 billion)
  - Meanwhile Terapia tertiary sales were of 0.5 billion RON (USD 0.12 billion) with a decrease of 1.71%.

### **1. Main events**

Terapia SA is the largest producer of medicines (OTC and generics) in Romania. In 2015 -calendaristic year, the Company was on 6th place in the top 10 players in the Romania total pharma market and on the first place in the generics and OTC Romania market (according to the CEGEDIM report).

The company has followed the permanent strategy of market launching of new products and consolidating its position on the local and European markets, with sales on 32 external markets.

Terapia obtained 16 new market authorizations and 20 MA renewals during 2015 ó reported period, thus having a portfolio of 249 MA which will assure the development of the business during 2016.

Also there where submitted to NMA 20 new applications for MA approval.

For the external markets in 2015 Terapia had a total of 71 Marketing Authorizations.

Terapia obtained authorization for 5 new food supplements in 2015, thus having a portfolio of 29 products as Dietary supplements.

### ***Capital expenditure***

In 2015 the main project was the R&D facility sustained 50% from non-reimbursable European funds. The new investment finalized in Sept. 2015 will help the company for the research ó development of new products to increase the innovation capacity and competitiveness.

In 2015, major investments were also made in technological equipment for the capacity extension and production modernisation.

### ***New products introduction***

In the current production were introduced new products: Ketanov tablets (for Tajikistan, Turkmenistan, and Azerbaijan), Ketanov 30 mg/ml injectable (for Tajikistan, Turkmenistan, and Azerbaijan), Ca+D3 200 mg/200ui for Romania market.

Technological transfer activities completed for:

- Terlipressin acetate 1mg/8,5 ml transferred from Halol, for EU market;
- Ferrous sulphate 200 mg sugar coated tablets transferred from Ireland, for UK market.

### ***Commercial activity***

During 2015 the company embarked upon several innovative marketing and selling activities together with new products launching. Terapia operates in the market through the most important medicine distributors.

Terapia launched **15** new products on the market in 2015: Silimarina 150mg; ArthroFlex Promo Package (42 Sachets + 50ml Cream); Fortifikat 500mg and Fortifikat Forte 75mg; Calciu D3 tab; Kebene Extra and Kebene Forte; Aspenter 75 mg (28 tab/carton); Enalapril Terapia 5mg, 10mg, 20mg; Paduden Rapid 200mg; Astoret 10mg and 15mg; Carbamazepina Terapia 200mg.

### ***Authorizations***

Terapia holds running authorizations and GMP certificates for all manufacturing flows.

Terapia holds environment certificates for all its facilities, according to the applicable regulations. Moreover, the Company holds all needed authorizations provided by the law.

Terapia is certified of Integrated Management System Environmental Health and Safety according to ISO 14001/2004 and OHSAS 18001/2008.

Terapia holds GLP certificate for good laboratory practice for the Bioanalytical Laboratory (Bioequivalence department).

The Clinical Unit is authorized by the Health Ministry to develop studies of phase I.

The quality assurance system in the Bioanalytical Laboratory and Clinical Unit is ISO 9001:2008 certified by SGS Romania, since 2014.

### *New projects*

It was initiated a new QC lab, for increasing the capacity for analyzing the procured FG for Romania and other markets. It will be finalized in middle of 2016.

### *Human resources*

The number of employees at 31.03.2016 was 859 persons as compared to 865 persons at 31.03.2015.

## **2. Main achievements**

### *Net turnover*

The net turnover was RON 542,112,761 over with 2.16% than the previous year.

The sales structure in the reported period is:

- domestic sales: RON 422,438,389;
- export sales of goods and services: RON 119,674,372 representing 22.08% of the net turnover.

The sales on the external markets are as follows:

Country	RON	%
Russia	59,727,775	49.91%
India	14,859,365	12.42%
Ukraine	13,359,603	11.16%
United Kingdom	7,755,909	6.48%
Republic of Ireland	6,736,405	5.63%
Other countries	17,235,315	14.4%
Total export	119,674,372	100.00%

*The gross profit* is in amount of RON 135,537,416 over previous year figures with 42.07%.

## II. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Accounting Law no. 82/1991 republished, and Ministry of Public Finance Order no. 1802/2014 for approving the accounting regulations regarding the individual and consolidated annual financial statements.

Company changed its financial period from calendaristic year to the period April ó March. As statutory requirements, the balance sheet has to contain the figures for April 2014 ó March 2015 along with the figures for the period April 2015 ó March 2016.

### BALANCE SHEET as of 31<sup>st</sup> of March 2016

- RON -

Element description	Balance at		Fluctuation March 2016 / March 2015 %
	31.03.2015	31.03.2016	
<b>A. NON-CURRENT ASSETS</b>			
I. Intangible assets	212,971,032	188,766,600	-11.37
II. Tangible assets	190,798,365	186,744,167	-2.12
III. Financial assets	66,607	54,180	-18.66
<b>NON-CURRENT ASSETS TOTAL</b>	<b>403,836,004</b>	<b>375,564,947</b>	<b>-7.00</b>
<b>B. CURRENT ASSETS</b>			
I. Inventories	65,755,600	69,607,706	5.86
II. Receivables	244,484,448	261,373,701	6.91
III. Cash and bank accounts	84,828,438	73,861,821	-12.93
<b>CURRENT ASSETS TOTAL</b>	<b>395,068,486</b>	<b>404,843,228</b>	<b>2.47</b>
<b>C. DEFERRED EXPENSES</b>	<b>734,709</b>	<b>479,453</b>	<b>-34.74</b>
<b>D. CURRENT LIABILITIES</b>	<b>276,418,445</b>	<b>129,222,228</b>	<b>-53.25</b>
<b>E. NET CURRENT ASSETS/ NET CURRENT LIABILITIES</b>	<b>118,777,073</b>	<b>275,250,695</b>	<b>131.74</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>522,613,077</b>	<b>650,815,642</b>	<b>24.53</b>
<b>G. NON-CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>H. PROVISIONS</b>	<b>42,317,390</b>	<b>53,369,228</b>	<b>26.12</b>
<b>I. DEFERRED INCOME</b>	<b>8,595,232</b>	<b>10,733,561</b>	<b>24.88</b>
<b>J. CAPITAL AND RESERVES</b>			
I. Subscribed and paid capital	25,021,355	25,021,355	0.00
II. Share premiums	372,838	372,838	0.00
III. Revaluation reserves	100,271,452	96,761,526	-3.50
IV. General reserves	17,020,055	29,052,223	70.69
V. Retained earnings	249,339,832	333,245,119	33.65
VI. Profit of the financial period	80,395,362	115,254,479	43.36
Profit appropriation	112,762	12,144,929	10,670.41
<b>TOTAL EQUITY</b>	<b>472,308,132</b>	<b>587,562,611</b>	<b>24.40</b>

### **Non-current assets**

In the reported period, the non-current assets have decreased by 7.00%.

The non-current assets variation was mainly determined by:

- Reduction of assets value with an amount of RON 40,624,513, reduction resulted from the normal process of amortization and depreciation.
- Increase of the value of non-current assets with the amount of RON 12,349,707 following the corporate investment during 2015, mainly in technological equipment and buildings for the new research facility.

### **Current assets**

*The inventories* have increased by 5.86% as compared to the beginning of the year. This increase is due to the increase of:

- Raw materials with RON 483,328;
- Finished goods with RON 182,670;
- Merchandise with RON 1,948,093.

The inventories level at 31.03.2016 was correlated with the requirements of the production activity and of the sales activity which will take place during April- May 2016.

*The receivables* increased by 6.91 % as compared to the beginning of the year being in line with sales increase of 2.16%. The receivables balance for internal market is covered for 90.6% with credit insurance policy.

*Cash and cash equivalents* decreased by 12.93% as compared to the beginning of the year.

This evolution is due to the reimbursement of the intercompany loan in amount of RON 167.572.400.

No loan in the balance at the year end.

At 31.03.2016, cash and cash equivalents have the following structure:

- RON -

	<b>Balance at 31 March 2015</b>	<b>Balance at 31 March 2016</b>
Cash in hand	1,229	5,079
Cash at bank	61,078,117	72,011,907
Amounts under settlement	-	1,703,983
Bank deposits and public securities	-	-
Guarantees received from employees	142,778	140,852
Short term financial investments	23,606,314	-
<b>Total cash and cash equivalents</b>	<b>84,828,438</b>	<b>73,861,821</b>

**Current liabilities (up to one year)** are liabilities related to company activities in amount of RON 129.222.228.



### Non-current liabilities

The company has no liabilities with maturity greater than one year.

### Provisions

The level of provisions at 31.03.2016 increased by 26.12% as compared to the beginning of the year. The increase of the level of provisions is in amount of RON 11,051,838. This increase is due mainly to the Claw back provision recorded in amount of RON 11,643,979 for Q2 2012. Based on Court decision in our favor the tax paid on due date for respective quarter was compensated with the current liability but the revised notification with drugs consumption for Q2 2012 can be received from National Insurance House and future liability can come.

### Shareholders' equity

*Share capital* amounts to RON 25,021,355 and has not been modified during the reported period.

### *Other shareholders' equity*

The shareholders equity at the end of the year amounts to RON 587,562,611 registering an increase of 24.40% the shareholders equity evolution is mainly due to net profit for the current period in amount of RON 115,254,479.

### INCOME STATEMENT FOR THE PERIOD ENDED at 31<sup>st</sup> of March 2016

PARTICULARS	-RON-		
	Achieved 01.04.2014- 31.03.2015	Achieved 01.04.2015- 31.03.2016	Growth March 2016/March 2015 %
<b>1.NET TURNOVER</b>	<b>530,636,629</b>	<b>542,112,761</b>	<b>2.16</b>
2. OPERATING INCOME	537,279,348	545,534,293	1.54
3. OPERATING EXPENSES	429,084,489	404,787,233	-5.66
<b>4. OPERATING PROFIT OR LOSS: Profit</b>	<b>108,194,859</b>	<b>140,747,060</b>	<b>30.09</b>
5. OPERATING PROFIT MARGIN %	20.40	25.96	27.27
6. FINANCIAL INCOME	24,138,916	20,769,293	-13.96
7. FINANCIAL EXPENSES	36,930,783	25,978,937	-29.66
8. FINANCIAL PROFIT OR LOSS: Profit/ (Loss)	<b>-12,791,867</b>	<b>-5,209,644</b>	<b>-59.27</b>
<b>9. CURRENT PROFIT OR LOSS: Profit</b>	<b>95,402,992</b>	<b>135,537,416</b>	<b>42.07</b>
10.TOTAL INCOME	561,418,264	566,303,586	0.87
11.TOTAL EXPENSES	466,015,272	430,766,170	-7.56
<b>12. GROSS PROFIT OR LOSS: Profit</b>	<b>95,402,992</b>	<b>135,537,416</b>	<b>42.07</b>
13. GROSS PROFIT MARGIN %	18.00	25.00	38.90
14. PROFIT TAX	15,007,630	20,282,937	35.15
<b>15. NET PROFIT OR LOSS OF THE FINANCIAL PERIOD: Profit</b>	<b>80,395,362</b>	<b>115,254,479</b>	<b>43.36</b>
16. NET PROFIT MARGIN %	15.20	21.26	39.87

## **OPERATIONAL ACTIVITY**

### **Operating income**

*Net turnover* ó represents the sales less the discounts granted to the clients.

The net turnover was RON 542,112,761. As compared to the previous year, the net turnover has registered a growth of 2.16% in the context of the difficult macroeconomic framework presented in this report.

### **Operating expenses**

The operating expenses decreased in 2015 as compared to 2014, with 5.66%. This decrease is due to the decrease of Claw back tax as compared to the previous year and decrease of the expenses with external services.

**Operating profit** has increased in 2015 as compared to the previous year by 30.09%. The increase is due to operating expenses decrease and the turnover increase.

Following this, operating profit margin has increased in 2015 compared to 2014 by 27.27%.

## **FINANCIAL ACTIVITY**

The financial activity generated a loss of RON 5,209,644.

Loss related to the exchange rate evolution is in amount of RON 5,264,549 mainly to the high depreciation of Russian currency and intercompany loan revaluation. The export on Russian market was performed in RUB.

The Company had intercompany loan and consequently had registered bank interest expenses in 2015 in amount of RON 655,765.

The interest income is in amount of RON 978,000 for the bank term deposits.

**The gross profit** of the reported period amounts to RON 135,537,416 and it results from the operating and financial activity. It registered an increase of 42.07% as compared to the same period last year.

The profit increased more than the turnover and this evolution is due to:

- the portofolio sales structure;
- the decrease of Claw back tax as compared to the previous year to 10.5% from 16.3% gross sales tax.

**The income tax** of the reported period amounts to RON 20,282,937. The average tax rate is 15.00%, less than the standard rate, due to reversal of non-deductible provisions.

In computing the income tax the Company applied fiscal facilities according to the Fiscal Code such as:

- accelerated depreciation for technological equipment;
- supplementary deductibility for research expenses;
- income tax exemption on reinvested earnings.

**Net profit, profit distribution**

The net profit for the period is RON 115,254,479.

The net profit obtained during 2015 amounting to RON 115,254,479 will be distributed according to the decision of the General Shareholders Meeting.

**CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2016**

Compared to the beginning of the year the cash and cash equivalents decreased by 12.93 % mainly due to the reimbursement of the loan.

The cash flow synthesis is presented as follow:

	- RON -	
	31.03.2015	31.03.2016
<b>OPERATING ACTIVITY</b>		
<b>Cash from operating activities before changes in working capital</b>	<b>141,046,454</b>	<b>180,794,277</b>
(Increase)/decrease in trade receivables and other current assets	75,792,560	(11,951,646)
(Increase)/decrease in inventories	(9,103,035)	(5,195,794)
Increase/(decrease) in trade payables and other payables	25,728,858	13,858,508
Interest paid	(1,497,931)	(655,765)
Income tax paid	(18,453,136)	(12,163,262)
<b>Cash from operating activities</b>	<b>213,513,769</b>	<b>164,686,319</b>
<b>INVESTING ACTIVITY</b>		
<b>Cash used in investing activities</b>	<b>(255,135,113)</b>	<b>(12,349,709)</b>
<b>FINANCING ACTIVITY</b>		
<b>Cash from/used in financing activities</b>	<b>(51,261,370)</b>	<b>(164,325,201)</b>
Net increase/(decrease) in cash and cash equivalents	9,640,026	(10,966,617)
<b>Cash and cash equivalents at 1st April</b>	<b>75,188,412</b>	<b>84,828,438</b>
<b>Cash and cash equivalents at 31st March</b>	<b>84,828,438</b>	<b>73,861,821</b>

### III. PERSPECTIVES ON THE GROUP'S ACTIVITY

a) Estimated development of the company

During 2016 (April 2016 ó March 2017) the Company is expecting to reach a net turnover of RON 565.000.000, over the previous year by 4.22%.

Estimated CAPEX is in amount of RON 32.886.000. The main areas in which the capital expenditure will be performed are manufacturing for 42% and QC facility extension for 24% from total budgeted CAPEX.

b) Research and development activity

In 2015 was finalized the new R&D facility which is the base of sustaining the future development.

R&D activity will be focused for development of several products for local market, EU and US markets.

c) Information related to acquisition of own shares óis not the case.

d) The company does not has subsidiaris.

e) Risk Coverage policies

- Foreign currency risk and inflation

Company is exposed to currency risk through sales and purchases transactions that are denominated in currencies other than RON. The currency giving rise to this risk is primarily the Euro currency.

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.

- Credit risk

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

Company will continue to cover the trade debtors using the credit insurance policy for the sales in the Romanian market. Also other methods to hedge against the trading risk will be used as factoring, forfeiting securities and assignment of receivables.

- Market risk

The main concerns that the company has to overcome are: prices controlled by the authority in the Romanian market, unpredictable clawback tax and collection days still high du to the deficit in the public health system.

- Liquidity risk and cash flow

During the Company is expecting to sustain the activity with own financial resources.

**ADMINISTRATOR,**  
Drago Eugen Damian



## **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 2016**

## TABLE OF CONTENTS

<b>Balance Sheet .....</b>	<b>3-6</b>
<b>Profit and loss account.....</b>	<b>7-8</b>
<b>Cashflow.....</b>	<b>9</b>
<b>Statement of Changes in Equity.....</b>	<b>10-11</b>
<b>Notes to the Financial Statements.....</b>	<b>12-53</b>

S.C. TERAPIA S.A.  
**BALANCE SHEET**  
For the year ended 31 March 2016  
*(all amounts are expressed in RON, unless specified otherwise)*

**Balance Sheet as at 31 March 2016**  
**(in accordance with OMF 1802/2014)**

-RON-

Element name	Row no.	Balance as of	
		The beginning of the year 01.04.2015	The end of the year 31.03.2016
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	212,971,032	188,766,600
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>212,971,032</b>	<b>188,766,600</b>
<b>II. TANGIBLE ASSETS</b>			
1. Freehold land and buildings (account 211+212-2811-2812-2911-2912)	08	122,645,263	131,943,656
2. Plant and machinery (account 213+223--2813-2913)	09	46,420,509	50,968,864
3. Other plant, machinery and fixtures (account 214+224-2814-2914)	10	1,386,573	1,803,615
4. Real estate investments (account 215-2815-2915)	11	-	-
5. Tangible fixed assets in progress (account 231-2931)	12	18,801,921	1,932,833
6. Real estate investments in progress (account 235-2935)	13	-	-
7. Tangible assets for exploration and evaluation of mineral resources (account 216-2816-2916)	14	-	-
8. Productive biological assets (account 217+227-2817-2917)	15	-	-
4. Advance payments (account 4093)	16	1,544,099	95,199
<b>TOTAL: (row 08 to 16)</b>	<b>17</b>	<b>190,798,365</b>	<b>186,744,167</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	66,607	54,180
<b>TOTAL: (row 18 to 23)</b>	<b>24</b>	<b>66,607</b>	<b>54,180</b>
<b>TOTAL NON-CURRENT ASSETS ( row 07+17+24)</b>	<b>25</b>	<b>403,836,004</b>	<b>375,564,947</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	17,313,258	18,157,013

**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

Element name	Row no.	Balance as of	
		The beginning of the year 01.04.2015	The end of the year 31.03.2016
<b>A</b>	<b>B</b>	<b>2</b>	<b>3</b>
2. Work in progress (account 331+332+341+/-348-393-3941-3952)	27	2,092,843	2,950,310
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	46,333,608	48,464,371
4. Advance payments for the acquisition of inventories (account 4091)	29	15,891	36,012
<b>TOTAL (row 26 to 29)</b>	<b>30</b>	<b>65,755,600</b>	<b>69,607,706</b>
<b>II. RECEIVABLES</b>			
1. Trade receivables (account 2675+2676+2678+2679-2966-2968+4092+411+413 +418-491)	31	217,399,522	212,306,973
2. Receivables from non-consolidated associated companies (account 451-495)	32	22,424,562	46,475,437
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	4,660,364	2,591,291
5. Subscribed and not paid in share capital (account 456-495)	35	-	-
<b>TOTAL (row 31 to 35)</b>	<b>36</b>	<b>244,484,448</b>	<b>261,373,701</b>
<b>III. SHORT TERM INVESTMENTS</b>			
1. Investments in subsidiaries (account 501-591)	37	-	-
2. Other short term investments (account 505+506+508-595-596-598+5113+5114)	38	23,606,314	-
<b>TOTAL (row 37 to 38)</b>	<b>39</b>	<b>23,606,314</b>	<b>-</b>
<b>IV. PETTY CASH AND BANK ACCOUNT BALANCES</b>			
(account 5112+512+531+532+541+542)	<b>40</b>	<b>61,222,124</b>	<b>73,861,821</b>
<b>CURRENT ASSETS - TOTAL (row 30+36+39+40)</b>	<b>41</b>	<b>395,068,486</b>	<b>404,843,228</b>
<b>C. ACCRUED EXPENSES (account 471) (row 43+44)</b>			
Amounts taken over a period of up to 1 year	43	734,709	479,453
Amounts taken over a period of more than 1 year	44	-	-
<b>D. LIABILITIES: AMOUNTS DUE WITHIN ONE YEAR</b>			
1. Debenture loans (account 161+1681-169)	45	-	-
2. Amounts owed to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+ 5198)	46	-	-
3. Advance payments received for orders (account 419)	47	49,076	301,731
4. Trade debts ó suppliers (account 401+404+408)	48	41,577,851	57,235,983
5. Bills of exchange payable (account 403+405)	49	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	50	197,867,736	37,535,402
7. Amounts due to other equity investments (account 1663+1686+2692+453)	51	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+455+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	52	36,923,782	34,149,112
<b>TOTAL: (row 45 to 52)</b>	<b>53</b>	<b>276,418,445</b>	<b>129,222,228</b>



**S.C. TERAPIA S.A.**  
**BALANCE SHEET**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

Element name	Row no.	Balance as of	
		The beginning of the year 01.04.2015	The end of the year 31.03.2016
A	B	2	3
<b>E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41+43-53-70-73-76)</b>	<b>54</b>	<b>118,777,073</b>	<b>275,250,695</b>
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES (row 25+44+54)</b>	<b>55</b>	<b>522,613,077</b>	<b>650,815,642</b>
<b>G. LIABILITIES: AMOUNTS DUE AFTER ONE YEAR</b>			
1. Debenture loans (account 161+1681-169)	56	-	-
2. Amounts payable to credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+5198)	57	-	-
3. Advance payments received for orders (account 419)	58	-	-
4. Trade debts of suppliers (account 401+404+408)	59	-	-
5. Bills of exchange payable (account 403+405)	60	-	-
6. Amounts due to non-consolidated associated companies (account 1661+1685+2691+451)	61	-	-
7. Amounts due to other equity investments (account 1663+1686+2692+453)	62	-	-
8. Other liabilities, including tax and social security contributions liabilities (account 1623+1626+167+1687+2693+421+ 423+424+426+427+4281+431+437+4381+441+4423+ 4428+444+446+447+4481+455+456+457+4581+ 462+473+509+5186+5193+5194+5195+5196+5197)	63	-	-
<b>TOTAL: (row 56 to 63)</b>	<b>64</b>		
<b>H. ACCRUED LIABILITIES</b>			
1. Accrued for employee benefits (account 1515+1517)	65	946,944	983,003
2. Accrued taxes payable (account 1516)	66	9,970,568	9,157,935
3. Other accrued liabilities and provisions (account 1511+1512+1513+1514+1518)	67	31,399,828	43,228,290
<b>TOTAL ACCRUED LIABILITIES &amp; PROVISIONS (row 65 to 67)</b>	<b>68</b>	<b>42,317,390</b>	<b>53,369,228</b>
<b>I. DEFERRED INCOME</b>			
1. Investment subsidies (account 475) (row 70+71)	69	8,595,232	10,733,561
Amounts to be retaken in a period under a year (account 475)	70	607,677	849,758
Amounts to be retaken in a period over a year (account 475)	71	7,987,555	9,883,803
2. Deferred income (account 472) - total (row 73+74) of which:	72	-	-
Amounts to be retaken in a period under a year (account 472)	73	-	-
Amounts to be retaken in a period over a year (account 472)	74	-	-
3. Deferred income related to assets received from customers transfer (ct.478) (row 76+77)	75	-	-
Amounts to be retaken in a period under a year (account 478)	76	-	-
Amounts to be retaken in a period over a year (account 478)	77	-	-
Negative goodwill (account 2075)	78	-	-

S.C. TERAPIA S.A.  
BALANCE SHEET  
For the year ended 31 March 2016  
(all amounts are expressed in RON, unless specified otherwise)

Element name	Row no.	Balance as of	
		The beginning of the year 01.04.2015	The end of the year 31.03.2016
<b>A</b>	<b>B</b>	<b>2</b>	<b>3</b>
<b>TOTAL (row 69+72+75+78)</b>	<b>79</b>	<b>8,595,232</b>	<b>10,733,561</b>
<b>J. CAPITAL AND RESERVES</b>			
<b>I. CAPITAL</b>			
1. Subscribed and paid in capital (account 1012)	80	25,021,355	25,021,355
2. Subscribed and not paid in capital (account 1011)	81	-	-
3. Patrimony (autonomous companies) (account 1015)	82	-	-
4. Patrimony of national research and development institutes (account 1018)	83	-	-
5. Other equity (account 1031)	84	-	-
<b>TOTAL (row 80 to 84)</b>	<b>85</b>	<b>25,021,355</b>	<b>25,021,355</b>
<b>II. PREMIUMS RELATED TO CAPITAL (account 104)</b>	<b>86</b>	<b>372,838</b>	<b>372,838</b>
<b>III. REVALUATION RESERVE (account 105)</b>	<b>87</b>	<b>100,271,452</b>	<b>96,761,526</b>
<b>IV. OTHER RESERVES</b>			
1. Legal reserve (account 1061)	88	8,617,940	8,617,940
2. Statutory or contractual capital reserve (account 1063)	89	-	-
3. Other reserves (account 1068)	90	8,402,115	20,434,283
<b>TOTAL (row 88 to 90)</b>	<b>91</b>	<b>17,020,055</b>	<b>29,052,223</b>
Own shares (account 109)	92	-	-
Gains on own equity instruments (account 141)	93	-	-
Losses on own equity instruments (account 149)	94	-	-
<b>V. PROFIT / (LOSS) BROUGHT FORWARD (account 117)</b>	<b>95</b>	<b>249,339,832</b>	<b>333,245,119</b>
	<b>Balance C</b>		
	<b>Balance D</b>	-	-
<b>VI. PROFIT / (LOSS) FOR THE YEAR (account 121)</b>	<b>97</b>	<b>80,395,362</b>	<b>115,254,479</b>
	<b>Balance C</b>		
	<b>Balance D</b>	-	-
Profit appropriation (account 129)	99	112,762	12,144,929
<b>TOTAL EQUITY (row 85+86+87+91-92+93-94+95-96+97-98-99)</b>	<b>100</b>	<b>472,308,132</b>	<b>587,562,611</b>
Public patrimony (account 1016)	101		
Private patrimony (account 1017)	102		
<b>TOTAL CAPITAL (row 100+101+102) (row 25+41+42-53-64-68-79)</b>	<b>103</b>	<b>472,308,132</b>	<b>587,562,611</b>

ADMINISTRATOR,  
Drago Eugen Damian

ECONOMIC MANAGER,  
Sanda Codreanu

**S.C. TERAPIA S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

**Profit and loss account for the year ended 31 March 2016**  
**(in accordance to OMF 1802/2014)**

	INDICES	Row no.	Financial year	
			Previous	Current
	A	B	1	2
<b>1.</b>	<b>Net turnover (row 02 +03-04+ 05+06)</b>	<b>01</b>	<b>530,636,629</b>	<b>542,112,761</b>
	Sales of produced goods (account 701+702+703+704+705+706+708)	02	470,185,767	460,206,336
	Sales of goods purchased for resale (account 707)	03	195,071,088	219,807,001
	Trade discounts granted (account 709)	04	134,620,226	137,900,576
	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	-	-
<b>2.</b>	<b>Inventories variation (account 711)</b>	<b>07</b>	<b>2,978,122</b>	<b>1,457,490</b>
	Balance C	08	-	-
	Balance D	08	-	-
<b>3.</b>	<b>Own production capitalized (account 721+722)</b>	<b>09</b>	<b>-</b>	<b>-</b>
<b>4.</b>	<b>Income from revaluation of tangible assets (account 755)</b>	<b>10</b>	<b>213,673</b>	<b>86,517</b>
<b>5.</b>	<b>Real estate investments production income (account 725)</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>6.</b>	<b>(account 7412+7413+7414+7415+7416+7417+7419)</b>	<b>12</b>	<b>-</b>	<b>-</b>
<b>7.</b>	<b>Other operating income (account 751+758+7815)</b>	<b>13</b>	<b>3,450,924</b>	<b>1,877,525</b>
	- out of which income from negative goodwill	14	-	-
	- out of which income from investment subsidies	15	<b>61,471</b>	<b>607,677</b>
	<b>TOTAL OPERATING REVENUES (row 01+07-08+09+10+11+12+13)</b>	<b>16</b>	<b>537,279,348</b>	<b>545,534,293</b>
<b>8.</b>	<b>a) Expenses related to raw materials and consumables (account 601+602)</b>	<b>17</b>	<b>78,448,287</b>	<b>82,473,683</b>
	Other material expenses (account 603+604+606+608)	18	6,125,662	5,622,169
	b) Other utilities expenses (electricity, heating and water) (account 605-7413)	19	3,585,479	3,560,639
	Expenses regarding goods for resale (account 607)	20	91,689,343	84,926,946
	Trade discounts received (account 609)	21	6,033,249	1,062,677
<b>9.</b>	<b>Personnel expenses (row 23+24)</b>	<b>22</b>	<b>80,469,371</b>	<b>81,088,290</b>
	a) Salaries (account 641+642+643+644)	23	65,025,135	66,486,998
	b) Expenses related to social security contributions (account 645)	24	15,444,236	14,601,292
<b>10.</b>	<b>a) Value adjustment related to tangible and intangible assets (rd.26-27)</b>	<b>25</b>	<b>36,378,079</b>	<b>40,624,513</b>
	a.1) Expenses (account 6811+6813+6817)	26	36,378,079	40,624,513
	a.2) Revenues (account 7813)	27	-	-
	b) Value adjustment for current assets (row 29-30)	28	226,984	(4,223,229)
	b.1) Expenses (account 654+6814)	29	12,965,624	22,798,701
	b.2) Revenues (account 754+7814)	30	12,738,640	27,021,930
<b>11.</b>	<b>Other operating expenses (row 32 la 38)</b>	<b>31</b>	<b>124,741,164</b>	<b>100,725,061</b>
	11.1. Third party services expenses (account 611+612+613+614+621+623+624+625+627+628)	32	78,619,675	72,464,873
	11.2 Other taxes, duties and similar expenses (account 635+6586)	33	39,903,857	24,302,618
	11.3 Compensations, gifts and assets disposed (account 652)	34	24,851	142,384
	11.4 Expenses from revaluation of tangible assets (account 655)	35	15,456	-
	11.5 expenses related to calamities and other similar events	36	-	-
	11.6 Other expenses (account 651+6581+6582+6583+6588)	37	6,177,325	3,815,186
	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	13,453,369	11,051,838
	Expenses (account 6812)	40	14,266,032	12,029,504

**S.C. TERAPIA S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

	INDICES	Row no.	Financial year	
			Previous	Current
	A	B	1	2
	Revenues (account 7812)	41	812,663	977,666
	<b>TOTAL OPERATING EXPENSES (row 17 to 20-21+22+25+25+31+39)</b>	<b>42</b>	<b>429,084,489</b>	<b>404,787,233</b>
	<b>OPERATING PROFIT OR LOSS:</b>			
	<b>Profit(row 16-42)</b>	<b>43</b>	<b>108,194,859</b>	<b>140,747,060</b>
	<b>Loss(row 42-16)</b>	<b>44</b>	-	-
12.	Revenues from investments (account 7611+7612+7613)	45		
		46		
13.	Interest income (account 766)	47	632,122	978,000
	- 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	23,506,794	19,791,293
	- from which. income from other financial assets	51		
	<b>TOTAL FINANCIAL REVENUES (ROW 45+47+49+50)</b>	<b>52</b>	<b>24,138,916</b>	<b>20,769,293</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	1,338,759	655,765
	- of which. expenses related to associated companies	57		
	Other financial expenses (account 663+664+665+667+668)	58	35,592,024	25,323,172
	<b>TOTAL FINANCIAL EXPENSES (row 53+56+58)</b>	<b>59</b>	<b>36,930,783</b>	<b>25,978,937</b>
	<b>FINANCIAL PROFIT OR LOSS</b>			
	<b>Profit (row 52-59)</b>	<b>60</b>		
	<b>Loss (row 59-52)</b>	<b>61</b>	<b>12,791,867</b>	<b>5,209,644</b>
	<b>TOTAL REVENUES (row 16+52)</b>	<b>62</b>	<b>561,418,264</b>	<b>566,303,586</b>
	<b>TOTAL EXPENSES (row 42+59)</b>	<b>63</b>	<b>466,015,272</b>	<b>430,766,170</b>
	<b>PROFIT OR LOSS BEFORE TAX</b>			
	<b>Profit (row 62-63)</b>	<b>64</b>	<b>95,402,992</b>	<b>135,537,416</b>
	<b>Loss (row 63-62)</b>	<b>65</b>		
18.	<b>INCOME TAX (account 691)</b>	<b>66</b>	<b>15,007,630</b>	<b>20,282,937</b>
19.	Other tax expenses not included above (account 698)	67		
20.	<b>NET PROFIT OR LOSS FOR THE YEAR</b>			
	<b>Profit (row 64-65-66-67)</b>	<b>68</b>	<b>80,395,362</b>	<b>115,254,479</b>
	<b>Loss (row 65+66+67-64)</b>	<b>69</b>		

**ADMINISTRATOR,**  
 Drago Eugen Damian

**ECONOMIC MANAGER,**  
 Sanda Codreanu

S.C. TERAPIA S.A.  
**CASHFLOW STATEMENT**  
for the year ended 31 March 2016  
*(all amounts are expressed in RON, unless specified otherwise)*

**Cash flow Statement**  
for the year ended 31 March 2016

	<b>12 month period ended at 31.03.2015</b>	<b>12 month period ended at 31.03.2016</b>
<b>OPERATING ACTIVITIES</b>		
Net profit before taxation and extraordinary items	<b>95,402,992</b>	<b>135,537,416</b>
Adjustments for:		
Loss / profit on disposal of fixed assets	7,382	42,152
Impairment, depreciation and amortization	36,378,079	40,624,513
Movement in provisions for fixed assets	(198,217)	(86,517)
Movements in provisions	13,453,369	11,051,838
Net loss/profit from interest	706,637	(322,236)
Movements in provision for current assets	(2,696,155)	(3,326,234)
Income from subsidies	(61,471)	(2,726,654)
The effect of foreign exchange rate changes on assets and liabilities	(1,946,162)	-
<b>Operating profit before changes in working capital</b>	<b>141,046,454</b>	<b>180,794,277</b>
Decrease/(Increase) in trade and other receivables	75,792,560	(11,951,646)
Decrease/(Increase) in inventories	(9,103,035)	(5,195,794)
(Decrease) / Increase in trade and other liabilities	25,728,858	13,858,508
Interest paid	(1,497,931)	(655,765)
Corporate income tax paid	(18,453,136)	(12,163,262)
<b>Cash generated from operating activities</b>	<b>213,513,769</b>	<b>164,686,319</b>
<b>INVESTMENT ACTIVITIES</b>		
Payments for the acquisition of tangible and intangibles assets	(255,881,959)	(12,349,709)
Proceeds from the disposal of fixed assets	27,157	28,190
Interest received	719,689	993,784
<b>Cash generated from investing activities</b>	<b>(255,135,113)</b>	<b>(11,327,735)</b>
<b>FINANCING ACTIVITIES</b>		
Loan repayment	(123,821,600)	(166,916,635)
Grants received	8,105,325	2,744,794
Dividends paid	(2,697,955)	(153,360)
Loans received	169,675,600	-
<b>Cash generated from financing activities</b>	<b>51,261,370</b>	<b>(164,325,201)</b>
Increase / (decrease) in cash and cash equivalent	9,640,026	(10,966,617)
<b>Cash and cash equivalent at 1 April 2015</b>	<b>75,188,412</b>	<b>84,828,438</b>
<b>Cash and cash equivalents at 31 March 2016</b>	<b>84,828,438</b>	<b>73,861,821</b>

ADMINISTRATOR,  
Drago Eugen Damian

DIRECTOR ECONOMIC,  
Sanda Codreanu

**S.C. TERAPIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

**Statement of Changes in Equity**  
**for the year ended 31 March 2016**

Elements of shareholders' equity	Balance as at 01.04.2014	Increase		Decrease		Balance as at 31.03.2015
		TOTAL, out of which	From transfer	TOTAL, out of which	From transfer	
0	1	2	3	4	5	6
Share capital	25,021,355	0		0	0	25,021,355
Share premium	372,838	0		0	0	372,838
Revaluation reserve	100,271,452	-		3,509,926	3,509,926	96,761,526
Legal reserve	8,617,940	0		0	0	8,617,940
Statutory or contractual reserves						
Other reserves	8,402,115	12,032,167	12,032,167	0	0	20,434,283
Own shares						
Earnings related to shareholders equity instruments						
Losses related to shareholders equity instruments						
Retained earnings representing undistributed accumulated profit or accumulated losses	Cr Balance 204,476,969	80,395,362	80,395,362			284,872,330
	Dr Balance					
Loss from merger	Cr Balance					
	Dr Balance					
Effect of first time adoption of IFRS, except for IAS 29	Cr Balance 5,935,237	0	0	0	0	5,935,237
	Dr Balance					
Retained result from correction of accounting errors	Cr Balance 664,608	0	0	0	0	664,608
	Dr Balance					
Retained result representing the revaluation reserve surplus	Cr Balance 43,044,332	3,509,926	3,509,926			46,554,257
	Dr Balance					
Retained result from the application of accounting regulations according to the fourth Directive of the European Commission	Cr Balance					
	Dr Balance 4,781,313	0	0	0	0	4,781,313
Profit or loss for the year	Cr Balance 80,395,362	115,254,479		80,395,362	80,395,362	115,254,479
	Dr Balance					
Profit distribution	112,762	12,032,167	12,032,167			12,144,929
<b>TOTAL</b>	<b>472,308,132</b>	<b>199,159,766</b>	<b>80,395,362</b>	<b>83,905,288</b>	<b>80,395,362</b>	<b>587,562,611</b>

**S.C. TERAPIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

---

Equity amounting to RON 587,562,611 has increased during the year 2015 with the amount of RON 1145,254,479. This evolution is due to the net profit of the year amounting to RON 115,254,479.

Revaluation reserves have decreased with the amount of RON 3,509,926, amount transferred to retained result representing revaluation reserves surplus according to the company's accounting policies.

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

**ADMINISTRATOR,**  
Drago Eugen Damian

**ECONOMIC MANAGER,**  
Sanda Codreanu

### **Notes to the financial statements as of 31.03.2016**

These financial statements were prepared by SC Terapia SA (the "Company") for the year ended the 31 March 2016. 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 (šOMFP 1802/2014ö).

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 the first prepared for a financial year different than the calendar year and refer to the period 01.04.2015-31.03.2016.

#### **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 ó business offices;
- Bucharest, Splaiul Unirii , no. 313 ó manufacturing site ó without operating activity;
- Pata Rat no. FN, county Cluj ó residual products warehouse;
- Bucharest, B.dul Dimitrie Pompeiu no, 9 ó 9A óbusiness offices;
- Other offices in: Iasi, Brasov, Timisoara, Constanta, Craiova, Gala i.

The main shareholder is Ranbaxy (Netherlands) BV, a limited liability company, organized under Dutch laws, with headquarters at 55 Roskin, 1012 KK, Amsterdam, Netherlands, and is registered with the Trade Registry in Amsterdam under registration number 33254757.

Ranbaxy (Netherlands) BV is part of Sun Pharmaceutical Industries Limited since 25 March 2015.

The first consolidation is analysed at the level of Ranbaxy Netherlands BV Holland 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 which merged with Ranbaxy Laboratories Limited India on 25th March 2015.



**NOTE 1: General information (continued)**

**Management structure as of 31 March 2016:**

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

<b>Position</b>	<b>Name</b>
General Manager	Damian Drago -Eugen
Human Resources Manager	Kaupert Erika
Economic Manager	Codreanu Sanda
Financial Manager	Arora Hemant
Operations Manager	Chiorean Adrian Alexandru
Commercial Manager	Ungureanu Bogdan Alin

**Members of the Board of Directors as of 31 March 2016:**

<b>Name</b>	<b>Position</b>
Damian Drago -Eugen	President
Deshmukh Subodh Shrinivas	Member
Savla Prashant Lakhamshi	Member
Mehta Harin Parmanand	Member
Kaszas Mihaly	Member

The audit fees for 2015 amount to RON 162,716, from which RON 54,000 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 ó 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 ó 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 ó this principle that assumes that the Company in its assessment of the various accounting estimates made must follow a conservative approach and especially:
  - Only the realized profit up to the balance sheet date may be reflected in its results;
  - All known debts during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;
  - All foreseeable duties and potential losses that appeared during the current financial year or during a preceding financial year must be taken into account, even if these become evident only between the balance sheet date and the financial statements issuance date;
  - All value adjustments caused by impairment must be taken into account, irrespective of whether the result for the financial year is a loss or a profit.
4. The accrual 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.

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

8. Accounting and presentation of balance sheet and income statement items taking into account the economic substance of the transaction or of the commitment. This requires that economic transactions to be accounted for in accordance with economic reality, putting out rights and obligations/liabilities, and risks associated with these operations.
9. The principle of valuation at acquisition cost or production cost. The items in the financial statements usually are assessed at acquisition cost or production cost. The accounting regulations provide situations where this principle can not be respected.
10. The materiality principle. Any element that has a significant value must be separately presented in the financial statements.

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

**B. SIGNIFICANT ACCOUNTING POLICIES**

**Reference currency**

The financial statements are presented in RON.

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

**Basis of preparation**

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

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

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

The company opted for a financial year different than the calendar year, the financial year begins on April 1 and ends on March 31. The Company prepared these financial statements for 12 months ended at 31.03.2016, using the trial balance which is in compliance with the regulations outlined above.

These financial statements comprise of:

- Balance sheet;
- Profit and loss account;
- Statement of changes in equity;
- Cash flow statement and
- Explanatory notes.

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

**Translation of amounts denominated in foreign currency**

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

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

As of 31.03.2016, the exchange rates for conversion of balances expressed in foreign currency were 1 USD = 3.9349 RON, 1 EUR = 4.4738 RON, 1 GBP = 5.6566 RON and 1 CHF = 4.0872 RON.

**Comparative statements**

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

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

**Tangible fixed assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Depreciation**

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

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

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

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

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

**Revaluation**

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

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

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

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

**Intangible assets**

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

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

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

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

Intangible assets comprise:

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

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

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

**Intangible assets depreciation**

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

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

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

- 1 year for licenses worth up to \$ 10,000 per product;
- 2 years for licenses worth between \$ 10.001 and \$ 20.000 per product;

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

- 3 years for licenses worth between 20.001\$ and 30.000\$ per product;
- 4 years for licenses worth between 30.001\$ and 50.000\$ per product;
- 5 years for licenses with values exceeding \$ 50.001 per product

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

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

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

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

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

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

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

**Financial investments**

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

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

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

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

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

**CURRENT ASSETS**

**Acknowledgment and valuation of current assets**

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

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

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

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

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

**Inventories**

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

Raw materials and consumables are valued at acquisition cost.

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

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

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

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

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

The production cost of the finished goods and semi-finished goods contains:

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

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

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



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

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

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

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

1. Expired & Near Expiry Stock

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

2. Discarded & Rejected Stock

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

3. Non Moving Stock

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

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

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

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

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

**Short term investments**

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

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

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

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

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

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

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

**Cash and cash equivalents**

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

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

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

The operations referring to the foreign currency amounts received and payments shall be recorded in accounting books at the rate of exchange of the 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.

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

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

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

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

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

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

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

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

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

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

The policy for receivables value adjustments is presented below:

- For customer in litigation will be recorded provision of 100%, at the level of outstanding balance.
- For debts older than 365 days from the invoice date will be recorded a provision of 100%.
- For domestic customers, others than those mentioned above in paragraphs 1 and 2 there will be recorded a provision based on risk 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.

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

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

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

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

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

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

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

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

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

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

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

**Accounting of commitments and of other off-balance items**

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

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

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

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

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

A contingent liability is:

- a) a potential liability as a result of past events occurred before the balance sheet date and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the entity, or
- b) a present obligation as a result of past events occurred before the balance sheet date but which is not recognized because :
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of obligation cannot be measured with sufficient reliability.

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

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

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

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

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

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

**Provisions**

A provision is a liability of uncertain exigibility or value.

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

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

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

Provisions are set for items such as:

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

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

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

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

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

**Subsidies**

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

The following shall be disclosed separately under subsidies:

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

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

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

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

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

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

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

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

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

**Equity**

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

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

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

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

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

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

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

**Revaluation reserves**

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

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

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

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

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

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

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

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

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

**Profit and loss**

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

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

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

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

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

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

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

**Revenues**

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

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

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

- a) operating revenues;
- b) financial revenues.



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

Operating revenue comprise:

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

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

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

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

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

Financial revenues comprise:

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

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

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

**Expenses**

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

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

- a) operating expenses;
- b) financial expenses;

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

Operating expenses includes:

- a) expenses for raw materials and consumables; the acquisition cost of consumed inventory objects; acquisition costs of not stocked materials, directly passed as expenses; the equivalent of the energy and water consumed; the value of biological assets such as inventories; the cost of goods sold and of packages;
- b) expenses for works and services supplied by third parties, royalties and rental; insurance premiums; studies and research; expenses for other services performed by third parties (collaborators); commissions and fees; protocol, advertising and publicity expenses; transport of goods and personnel; travels, official trips and transfers; postage expenses and telecommunication duties, banking services and others;
- c) personnel expenses (salaries, social security, meal tickets and other personnel expenses which are borne by the entity);
- d) other operating expenses (expenses related to environmental protection, losses from debentures and various debtors; compensations, fines and penalties; donations and other similar expenses; expenses regarding ceded assets and other capital expenses etc.).

Financial expenses, which comprise:

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

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

**Turnover**

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

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

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

**Retirement, post retirement and termination benefits**

- Short-term employee benefits

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

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

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

- Retirement benefits

Upon retirement the employees receive a bonus equal with to a gross average salary in compliance with the 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 (lessee) 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 2016  
 (all amounts are expressed in RON, unless specified otherwise)

**NOTE 3: Non-current assets**

Assets elements	Gross book value			
	Balance at 01.04.2015	Increases, including the increases due to revaluation	Disposals, transfers and other discounts	Balance of 31.03.2016
0	1	2	3	4
<b>I. Intangible assets</b>				
Set-up costs and development costs	-	-	-	-
Licenses, trademarks and other intangibles	246,408,362	801,895	328,047	246,307,767
Other intangible assets	4,144,558	889,866	867,714	3,174,386
Advances for the acquisition of intangible assets	-	-	-	-
Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
<b>Total intangible assets</b>	<b>250,552,920</b>	<b>1,691,761</b>	<b>1,195,761</b>	<b>251,048,920</b>
<b>II. Tangible fixed assets</b>				
Land and land improvements	94,429,755			94,429,755
Buildings	28,328,181	11,260,226	31,607	39,556,800
Machinery and equipment	48,004,255	18,008,520	36,153	65,976,622
Other tangible fixed assets	1,406,346	770,003	4,543	2,171,806
Real estate investments	-	-	-	-
Tangible assets for exploration and evaluation of mineral resources	-	-	-	-
Productive biological assets	-	-	-	-
Tangible fixed assets in progress	18,801,921	13,169,660	30,038,748	1,932,833
Real estate investments in progress	-	-	-	-
Advances for the acquisition of tangible assets	1,544,099	742,819	2,191,719	95,199
<b>Total fixed tangible fixed assets</b>	<b>192,514,557</b>	<b>43,951,228</b>	<b>32,302,770</b>	<b>204,163,015</b>
<b>III. Financial non-current assets</b>	<b>66,607</b>	<b>46,948</b>	<b>59,375</b>	<b>54,180</b>
<b>TOTAL – Non-current assets</b>	<b>443,134,084</b>	<b>45,689,937</b>	<b>33,557,906</b>	<b>455,266,115</b>

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

Classification of non-current assets	Value adjustments (depreciation and adjustments for depreciation or loss of value)			
	Balance at 01.04.2015	Adjustments during the year	Decreases or disposals	Balance at 31.03.2016
0	1	2	3	4
<b>I. Intangible assets</b>				
Set-up costs and development costs	-	-	-	-
Licenses, trademarks and other intangibles	35,072,850	24,393,786	-	59,466,636
Other intangible assets	2,509,038	439,593	132,947	2,815,684
Advance payments for intangible non-current assets	-	-	-	-
Intangible assets for exploration and evaluation of mineral resources	-	-	-	-
<b>Total intangible assets</b>	<b>37,581,888</b>	<b>24,833,379</b>	<b>132,947</b>	<b>62,282,320</b>
<b>II. Tangible fixed assets</b>				
Land and improvements on land	62,924	10,787	-	73,711
Buildings	49,749	1,920,031	592	1,969,188
Machinery and equipment	1,583,746	13,507,703	83,691	15,007,758
Other tangible fixed assets	19,773	352,613	4,195	368,191
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>1,716,192</b>	<b>15,791,134</b>	<b>88,478</b>	<b>17,418,848</b>
<b>III. Financial non-current assets</b>				
<b>TOTAL – Non-current assets</b>	<b>39,298,080</b>	<b>40,624,513</b>	<b>221,425</b>	<b>79,701,168</b>

The net book value of the non-current assets as of 31 March 2016 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 31.03.2015 by an independent valuer. At 31.03.2016 there are no signs that the fair value to be changed significantly.



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

The tangible assets category comprises land in surface of 177,147 sqm with a net book value as at 31 March 2016 of RON 94,321,885. Out of this, 90,000 sqm worth RON 59,354,000 are held for sale. The land held for sale is located in Cluj ó Napoca, 124 Fabricii Street.

Furthermore, the assets owned by the company as at 31 March 2016 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 2016 at a net book value of RON 2,777,270. Bucharest site is held for sale either on components or as a whole.

Financial assets, amounting to RON 54,180, comprise mainly guarantees granted to suppliers, according to the terms of agreements, in amount of RON 38,858.

The last revision of useful economic lives of tangible and intangible fixed assets was made at 31 March 2016, during the annual inventory of assets.

The movements in value adjustments amount to RON 86,517.

On 31.03.2015, the Company has assets in progress and advances for tangible assets in amount of RON 2,028,032. The main component in this amount is represented by the endowment of the new facilities for research and development.

The book value of the fully depreciated tangible fixed assets which are still in use as at 31 March 2016 is RON 64,381,690.

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

- buildings	3,385,169
- technological equipment	44,025,537
- measurement, control, regulation devices and installations	9,496,809
- vehicles	6,488,317
- others	<u>985,858</u>
<b>Total</b>	<b>64,381,690</b>

**NOTE 4: Capital investments**

During the year the investments in tangible and intangible assets amounted to RON 12,349,707.

Investments performed during the reporting period of 2015 are for the main activities of the company as follows:

- technological equipments	20.15%
- information technology and office equipment	8.54%
- quality control	12.48%
- development of products	3.84%
- R&D	54.99%

**NOTE 5: Inventories**

Stock description	31 March 2015	31 March 2016
Raw materials and consumables	17,678,971	18,970,740
Work in progress	2,092,843	3,025,499
Finished products	22,068,911	22,542,422
Goods purchased for resale	30,050,877	32,528,615
Advance payment for the purchases of inventories	15,891	36,012
Provisions against the carrying value of inventories	(6,151,893)	(7,495,582)
<b>Total inventories</b>	<b>65,755,600</b>	<b>69,607,706</b>

**NOTE 6: Receivables and payables**

Receivables	Balance at 31 March 2015	Balance at 31 March 2016	Maturity term	
			Under 1 year	Over 1 year
1. Trade receivables	252,297,563	229,152,435	229,152,435	-
2. Receivables from affiliated companies	22,424,562	46,475,437	46,475,437	-
3. Other receivables	4,660,364	2,591,291	2,591,291	-
4. Provisions for receivables	(34,898,041)	(16,845,462)	(16,845,462)	-
<b>TOTAL</b>	<b>244,484,448</b>	<b>261,373,701</b>	<b>261,373,701</b>	<b>-</b>

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

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

The Company's main customers are:

- Farmexpert DCI SA Bucure ti;
- Mediplus Exim Bucure ti;
- Zao šRanbaxyö Rusia;
- Fildas Bucure ti;
- Farmexim SA Bucure ti;
- Pharmafarm S.A. Corunca;
- Europharm Holding Bra ov;
- Siepcofar depozit SRL Bucuresti;
- Poliso Sibiu;
- Bioeel SRL Targu Mures.

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

Payables	Balance at 31 March 2015	Balance at 31 March 2016	Repayment term		
			Under 1 year	1 – 5 years	Over 5 years
1. Suppliers - other	40,251,254	55,092,441	55,092,441		
2. Suppliers - intercompany	197,867,736	37,535,402	37,535,402		
3. Fixed assets suppliers	1,326,597	2,143,542	2,143,542		
4. Advances received from customers	49,076	301,731	301,731		
5. Payables to employees	7,803,088	9,427,521	9,427,521		
6. Social security and unemployment fund	2,223,635	1,656,314	1,656,314		
7. Taxes and duties payable	18,890,657	17,175,921	17,175,921		
8. Dividends payable	7,710,552	5,437,003	5,437,003		
9. Other liabilities	295,850	452,353	452,353		
10. Amounts due to credit institutions	-	-	-		
<b>TOTAL</b>	<b>276,418,445</b>	<b>129,222,228</b>	<b>129,222,228</b>		

As at 31 March 2016, the suppliers' liabilities comprise the liabilities for the services supplied amounting to RON 7,365,708 for which the Company did not receive invoices until 31 March 2016.

**NOTE 7: Cash and cash equivalents**

Description	-RON-	
	31 March 2014	31 March 2015
Petty cash and other values	1,229	5,079
Cash at bank	61,078,117	72,011,907
Amounts under settlement	-	1,703,983
Bank account balances and bonds	-	-
Guarantees received from warehouse keepers	142,778	140,852
Short term financial investments	23,606,314	-
<b>Total cash and cash equivalents</b>	<b>84,828,438</b>	<b>73,861,821</b>

The Company has at 31 March 2016 restricted cash balances amounting to RON 140,852 representing guarantees received from warehouse keepers.

The amounts under settlement are payments made by Ranbaxy Ukraine to the end March 2016 and appeared in the bank account of Terapia in 01.04.2016

**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 1,234,173 for goods for resale and RON 293,244 for finished goods. Management considers that there is an increased risk for these goods of not being sold.

**Impairment provision against the carrying value of tangible fixed assets**

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

The movement during the period 01.04.2015-31.03.2016 in the value of provisions is presented in the following table:

Crt. No.	Name of the value adjustments	Balance at 31 March 2015	Movements during the year		Balance at 31 March 2016
			Increase	Reversal	
0	1	2	3	4	5=2+3-4
1	Impairment provision for tangible fixed assets	1,716,192	-	86,517	1,629,675
2	Impairment provision for intangible assets	5,624,178	-	-	5,624,178
3	Allowances for inventories	6,151,894	8,762,068	7,418,380	7,495,582
4	Allowances for doubtful trade receivablesøbalances	34,898,041	1,550,971	19,603,550	16,845,462
5	Allowances for doubtful sundry debtorsøbalances	-	-	-	-
<b>TOTAL</b>		<b>48,390,305</b>	<b>10,313,039</b>	<b>27,108,447</b>	<b>31,594,897</b>

**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 2015 ó 31 March 2016 with the Group companies, as well as the related balances as of 31 March 2016 are presented below:

**Transactions**

<b>Purchases of goods and services</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
Ranbaxy Ireland- purchases of goods	35,769,732	7,569,841
Daiichi Sankyo Europe GmbH- purchases of goods	5,354,561	
Daiichi Sankyo Company Ltd- purchases of goods	2,239,465	
Daiichi Sankyo Company Ltd.- services	260,659	
Ranbaxy Europe Ltd. ó London (consultancy)	1,575,079	972,458
Ranbaxy Ireland - services	54,916	32,194
Ranbaxy Poland Sp Zoo - services	1,777,245	1,556,977
Ranbaxy Farmaceutica LTD- Brazil	59,436	45,207
Ranbaxy (UK) Ltd. ó London	18,975	96,181
Basics GmbH	2,403	4,584
Ranbaxy Pharmacie Generique France	8,730	11,458
Ranbaxy (Netherlands) BV	459,241	209,971
Sun Pharmaceutical Ltd (ex RLL)	51,492,016	49,289,054
Sun Pharmaceutical Ltd - services (ex RLL)		8,491
Sun Pharmaceutical Ltd RP		6,133,230
Alkaloida Chemical Company Zrt.		322,158
Aditya Acquisition Company Ltd.		221,556
<b>Total</b>	<b>90,453,919</b>	<b>66,473,360</b>

<b>Sales of goods and services</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
ZAO Ranbaxy Russia- sales	57,817,818	59,727,775
Ranbaxy (UK) Ltd. ó London	9,076,387	6,364,439
Ranbaxy Pharmacie Generique France	2,055,893	1,700,737
Basics GMBH	1,520,696	739,427
Ranbaxy Irlanda	14,910,336	6,736,405
LLC Ranbaxy Pharmaceuticals Ukraine	14,207,805	13,359,603
Ranbaxy Italy Spa	353,981	217,827
Ranbaxy Spain	173,788	471,050
Ranbaxy Europe Ltd. ó London ó services	2,518,182	1,391,470
Daiichi Sankyo Europe GmbH	680,745	
Sun Pharmaceutical Ltd (ex RLL)	26,103,037	15,946,368
Sun Pharmaceutical Industries Europe		883,064
<b>Total</b>	<b>129,418,668</b>	<b>107,538,165</b>

S.C. TERAPIA S.A.  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2016  
*(all amounts are expressed in RON, unless specified otherwise)*

---

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

**Balances**

<b>Payables</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
Ranbaxy Ireland-suppliers	1,881,679	6,239,096
Daiichi Sankyo Europe GmbH	1,660,583	
Daiichi Sankyo Company Ltd.	383,655	
Ranbaxy Europe Ltd	323,131	
Ranbaxy (UK) Ltd. ó London	6,417	88,389
Ranbaxy Poland Sp Zoo	211,453	211,249
Ranbaxy (Netherlands) BV	167,729,438	
Sun Pharmaceutical Ltd (ex RLL)	25,671,380	29,800,978
Alkaloida Chemical Company Zrt.		161,331
Aditya Acquisition Company Ltd.		221,556
Sun Pharmaceutical Ltd		2,292,375
<b>Total</b>	<b>197,867,736</b>	<b>39,014,974</b>

<b>Receivables</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
ZAO Ranbaxy Russia- customers	4,778,735	28,139,703
Ranbaxy (UK) Ltd. ó London	267,142	2,294,710
Ranbaxy Pharmacie Generique France	450,276	348,160
Ranbaxy Europe Ltd.	298,958	
Ranbaxy Italy SPA	202,980	144,334
Basics GMBH	4,410	2,801
Ranbaxy Ukraine	5,155,157	4,252,061
Ranbaxy Laboratories SL Spain	130,831	
Ranbaxy Ireland	4,519,572	501,500
Daiichi Sankyo Company Ltd.	290,178	
Sun Pharmaceutical Ltd (ex RLL)	10,150,846	12,072,057
Sun Pharmaceutical Industries Europe		432,757
<b>Total</b>	<b>22,424,562</b>	<b>48,188,082</b>

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

**Collections/Payments**

<b>Collections</b>	<b>31.03.2016</b>
ZAO Ranbaxy Russia- sales	37,225,675
Ranbaxy (UK) Ltd. ó London	4,259,074
Ranbaxy Pharmacie Generique France	1,806,925
Basics GMBH	725,433
Basics GMBH - services	15,601
Ranbaxy Ireland	10,692,831
Ranbaxy Ireland - services	62,977
LLC Ranbaxy Pharmaceuticals Ukraine	14,369,336
Ranbaxy Italy Spa	268,927
Ranbaxy Italy Spa - services	8,456
Ranbaxy Spain	602,632
Ranbaxy Europe Ltd. ó London - services	1,690,787
Ranbaxy (UK) Ltd. ó London - services	69,137
Sun Pharmaceutical Industries Europe	431,766
Sun Pharmaceutical Industries Europe - services	18,924
Sun Pharmaceutical Ltd - services	11,756,420
<b>Total</b>	<b>84,004,901</b>

<b>Payments</b>	<b>31.03.2016</b>
Ranbaxy Pharmacie Generique France	11,458
Ranbaxy Ireland	3,232,350
Ranbaxy Ireland - services	27,790
Ranbaxy Poland Sp Zoo	1,557,817
Ranbaxy Farmaceutica LTD- Brazil	45,207
Ranbaxy (Netherlands) BV	209,971
Ranbaxy Spain	
Ranbaxy Europe Ltd. ó London - services	1,292,303
Ranbaxy (UK) Ltd. ó London - services	13,727
Sun Pharmaceutical Industries Europe	169,332
Sun Pharmaceutical Industries Europe - services	
Sun Pharmaceutical Ltd-goods (ex RLL)	43,110,236
Sun Pharmaceutical Ltd-services (ex RLL)	645,048
Sun Pharmaceutical Ltd RP	7,378,091
Alkaloida Chemical Company Zrt.	158,781
<b>Total</b>	<b>57,852,110</b>

**NOTE 10: Provisions**

Classification of provisions	Balance at 31 March 2015	Transfers		Balance at 31 March 2016
		To account	From account	
0	1	2	3	4
1 Provisions for retirement benefits	946,994	201,042	165,033	983,003
2 Provisions for taxes	9,970,568	-	812,633	9,157,935
4 Provisions for restructuring	-	184,483	-	184,483
5 Other provisions for expenses	31,399,828	11,643,979	-	43,043,807
<b>Total</b>	<b>42,317,390</b>	<b>12,029,504</b>	<b>977,666</b>	<b>53,369,228</b>

Other provisions for expenses are provisions for the tax owed to the Health Ministry amounting to RON 43,013,807 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 9,157,935 as at 31 March 2016.

**NOTE 11: Investment subsidies**

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

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

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

On 31.03.2016 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 31.03.2016	Period in which it will be amortised (months)
Government subsidies	Buidings	892,500	399,757	129
	Plant and machinery	30,475	4,062	16
	Laboratory equipments	212,363	24,616	11 - 14
European Union subsidies	Buildings	4,970,466	4,831,793	350
	Plant and machinery	5,663,254	5,277,532	25 - 112
	Laboratory equipments	217,611	195,802	52 - 112
<b>Total</b>		<b>11,986,669</b>	<b>10,733,561</b>	



**S.C. TERAPIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

---

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

As of 31 March 2016, share capital amounted to RON 25,021,355, and was divided into 250,213,547 fully paid shares with a nominal value of RON 0.1. Subscribed capital is fully paid.

At the beginning of the year 2015, the capital amounted to RON 25,021,355.

The Company had no corporate bond certificates in issue as of 31 March 2016 and 31 March 2015.

**NOTE 13: Profit appropriation**

<b>Profit appropriation</b>	<b>01.04.2014- 31.03.2015</b>	<b>01.04.2015- 31.03.2016</b>
Net profit to be distributed:	80,395,362	115,254,479
- legal reserve	-	-
- use of accounting loss	-	-
- dividends	-	-
- tax facilities	112,762	12,144,929
Profit not distributed	80,282,600	103,109,550
<b>Total</b>	<b>80,282,600</b>	<b>103,109,550</b>

From the net profit amounted to RON 115,251,479, the amount of RON 12,144,929 was allocated to reserves representing the profit reinvested in the financial year 2015 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 103,109,550.

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 2016.

**NOTE 14: Turnover**

	31.03.2015	31.03.2016
<b>Net turnover:</b>	<b>530,636,629</b>	<b>542,112,761</b>
Out of which, for:		
- domestic sales	378,509,215	422,438,389
- export sales	152,127,414	119,674,372

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

	31.03.2016
Romania	422,438,389
Russia	59,727,775
India	14,859,365
Ukraine	13,359,603
Great Britain	7,755,909
Ireland	6,736,405
Other countries	17,235,315
	<b>542,112,761</b>

Net turnover comprises the amounts from sale of goods and rendering of services during the period 01.04.2015-31.03.2016.

**NOTE 15: Operating result analysis**

Indicator	Previous year as at 31.03.2014	Current year as at 31.03.2015
1	2	3
<b>1. Net turnover</b>	<b>530,636,629</b>	<b>542,112,761</b>
<b>2. Cost of goods sold and services rendered (3+4+5+6)</b>	<b>221,829,263</b>	<b>226,024,422</b>
3. Main activity expenses	65,986,671	71,656,100
4. Cost of goods purchased	85,656,094	83,864,269
5. Costs of sundry activities	4,761,973	4,562,686
6. Indirect production expenses	65,424,525	65,941,367
<b>7. Gross profit (1 – 2)</b>	<b>308,807,366</b>	<b>316,088,339</b>
8. Research expenses	17,064,902	18,846,547
9. Selling expenses	80,516,521	84,405,634
10. General and administration expenses	106,482,008	73,966,623
11. Other operating income	3,450,924	1,877,525
<b>12. Operating profit (7 – 8 – 9 – 10 + 11)</b>	<b>108,194,859</b>	<b>140,747,060</b>

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.

**S.C. TERAPIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

---

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

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

According to AGA decision payments to directors have been made in the gross amount of RON 1,086,809 and related fees were paid in the amount of RON 237,468.

<b>Average number of employees for the period ended on:</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
Workers	255	247
Technical, economic and administrative personnel	607	614
<b>Total</b>	<b>862</b>	<b>861</b>

<b>Number of employees on:</b>	<b>31.03.2015</b>	<b>31.03.2016</b>
Workers	255	240
Technical, economic and administrative personnel	610	619
<b>Total</b>	<b>865</b>	<b>859</b>

<b>Payroll expenses</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
Gross salaries during the year	63,439,076	63,819,227
Lunch ticket expenses	1,586,059	1,613,436
Benefits in nature expenses	-	1,054,335
Social insurance contributions	11,616,967	9,938,911
Social health insurance contributions	3,325,575	3,277,667
Contributions to the unemployment fund	304,067	30,4183
Contributions to the fund for labour accidents and illnesses	110,457	110,122
National health fund contributions	528,440	550,927
Preliminary salaries taxes	(441,270)	419,482
<b>TOTAL</b>	<b>80,469,371</b>	<b>81,088,290</b>

**NOTA 17: Leasing contracts**

The company has no financial leasing contracts at 31.03.2016.

The Company leased through a concession agreement land over a 25-year period, starting from year 1998. Concession royalties payable for the reporting period amount to RON 12,950. The concession royalties paid during the year 2015 are based on the amount payable for year 2014 increased with the annual inflation rate.

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

Company	Contract	The object of contract	No. of used goods
SC.ARVAL SRL	Contract nr.11241 / 29.05.2012	autoturisme	186
SC Porsche Mobility SRL	Contract nr.9112934 / 17.06.2014	autoturisme	65
ETA automatizari industriale SRL	Contract nr.194/18.06.2013	GPS	137
SC Econocom international Romania SRL	Contract nr. 20130012.1 / 26.03.2013	tablete	142

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

**NOTE 18: Other information**

**a) Information regarding the corporate income tax**

The corporate income tax payable by the Company for the current year amounts to RON 20,282,937. The average tax rate is 15.00%, less than the standard rate, due to reversal of non-deductible provizioni. The Company had an accounting profit of RON 135,537,416 for the year ended 31 March 2016 and a taxable profit of RON 143,380,248.

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

Crt. no.	Indicators	Row	12 month period ended at 31.03.2015	12 month period ended at 31.03.2016
			Value	Value
<b>1</b>	<b>Accounting profit before tax</b>	<b>01</b>	<b>95,402,992</b>	<b>135,537,416</b>
<b>2</b>	<b>Amounts related to income from reprocessing</b>	<b>02</b>		
<b>3</b>	<b>Deductions</b>	<b>03</b>	<b>49,832,338</b>	<b>37,193,197</b>
	Out of which:			
	- deductible tax depreciation and amortization		41,952,187	35,673,362
	- deductibility regarding research expenses		1,409,910	1,452,294
	-deductible provisions		6,470,241	67,541
<b>4</b>	<b>Non-taxable income</b>	<b>04</b>	<b>13,870,367</b>	<b>23,764,850</b>
	Out of which:			
	- other non-taxable income		13,870,367	23,764,850
<b>5</b>	<b>Non-deductible expenses</b>	<b>05</b>	<b>68,291,335</b>	<b>68,800,879</b>

**S.C. TERAPIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016**  
*(all amounts are expressed in RON, unless specified otherwise)*

	Out of which:			
	- fines, taxes and penalties due to the Romanian Authorities		1,854	(114,822)
	- protocol and sponsorship expenses in excess of the allowable level		1,862,720	732,755
	- non-deductible provisions		23,941,148	22,318,038
	- other non-deductible expenses, including accounting depreciation		42,485,613	45,864,911
<b>6</b>	<b>Losses in prior years</b>	<b>06</b>		
<b>7</b>	<b>Taxable profit (row 01 + row 02 – row 03-row 04 + row 05- row 06)</b>	<b>07</b>	<b>99,991,622</b>	<b>143,380,248</b>
<b>8</b>	<b>Total corporate income tax</b>	<b>08</b>	<b>15,998,659</b>	<b>22,940,840</b>
	Out of which:			
	- corporate income tax at the rate of 16 %		15,998,659	22,940,840
<b>9</b>	<b>Corporate income tax reductions calculated in accordance with applicable regulations</b>	<b>09</b>	<b>814,152</b>	<b>2,657,903</b>
<b>10</b>	<b>Corporate income tax due (row 08 – row 10)</b>	<b>10</b>	<b>15,184,507</b>	<b>20,282,937</b>
<b>11</b>	<b>Income tax related to previous years rectifications</b>	<b>11</b>	<b>176,877</b>	<b>-</b>
<b>12</b>	<b>Income tax due (row 10- row 11)</b>	<b>12</b>	<b>15,007,630</b>	<b>20,282,937</b>
<b>13</b>	<b>Net accounting profit (row 01 - row 12)</b>	<b>13</b>	<b>80,395,362</b>	<b>115,254,479</b>

**b) Other information**

As of the balance sheet date, the Company has a credit facility with Unicredit Tiriac Bank Romania amounting to EUR 1,000,000 used as security for the issuance of letters of guarantee and for financing the current expenses and a facility of 4.000,000 EUR as a guarantee for Forex contracts. This credit facility represents an off balance sheet item and, consequently, is not reflected in the balance sheet of the Company as at 31 March 2016.

The amount paid for consultancy services during the period 01.04.2015-31.03.2016 amounts to RON 1,102,830 and relates to the following:

- management consultancy fees, amounting to RON 1,038,255;
- other consultancy services fees, amounting to RON 64,575.

S.C. TERAPIA S.A.  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2016  
*(all amounts are expressed in RON, unless specified otherwise)*

---

**NOTE 19: Analysis of main financial ratios**

FINANCIAL RATIOS	VALUE 12 month period ended at 31.03.2015	VALUE 12 month period ended at 31.03.2016
<b>1. LIQUIDITY RATIOS</b>		
A. CURRENT LIQUIDITY RATIO <i>ó index -</i> (current assets/current liabilities)	1.43	3.12
B. ACID TEST RATIO - <i>index -</i> (current assets - inventories/current debts)	1.19	2.58
<b>2. RISK RATIOS</b>		
<b>A. GEARING RATIOS</b>		
(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>B. INTEREST COVERAGE RATIO</b>		
(profit before interest and corporate income tax / interest expense) <i>ó RON</i>	72.26	207.69
<b>3. ACTIVITY RATIOS</b>		
<b>A. STOCK TURNOVER - number of rotations</b>		
(cost of sales / average inventory balances)	3.21	3.34
<b>B. STOCK DAYS <i>ó days-</i></b>		
(average inventory balances / sales cost x 365)	113.69	109.30
<b>C. DEBTORS <i>ó DAYS <i>ó days-</i></i></b>		
(average trade debtors <i>ó balances / turnover</i> )*365	189.37	167.85
<b>D. RECEIVABLES TURNOVER - number of rotations</b>		
(turnover / non-current assets)	1.31	1.44
<b>E. TOTAL ASSETS TURNOVER - number of rotations</b>		
(turnover / total assets)	0.66	0.69
<b>4. PROFITABILITY RATIOS</b>		
<b>A. RETURN ON CAPITAL EMPLOYED %</b>		
(profit before interest and corporate income tax / (equity +loan long term portion)	20.48	23.18
<b>B. GROSS PROFIT MARGIN %</b>		
(gross profit / turnover x 100)	62.72	58.31
<b>5. PROFITABILITY PER SHARE</b>		
<b>A. EARNING PER SHARE - RON/share</b>		
(net distributable profit / weighted average number of ordinary shares)	0.32	0.46
Net distributable profit	80,395,362	115,254,479
Weighted average number of ordinary shares used in the calculations	250,213,547	250,213,547

**NOTE 20: Contingent liabilities**

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

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

The Company has as at 31 March 2016 letters of guarantee amounting to RON 421,803 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 31.03.2016 are in amount of RON 1,567,510 out of which RON 333,837 are related to buildings, RON 807,718 are related to software and IT equipments, RON 408,664 are related to measuring and control equipments, RON 17,291 are related to acces and protection systems.

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 ó 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 obtained the final judgment of the High Court of Cassation and Justice for cancellation of the notifications received from the National Health Insurance House.

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

Based on the final decision of the court, for the second quarter of 2012 in anticipation of a corrected notification from the National House of Health Insurance on the consumption of drugs in the current period the company recorded a provision of 11,643,979 lei which was recorded in the previous period.

For the reported period, the fee calculated and paid at maturity by the company was 37,401,309 lei. 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 are received or pending 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 currency giving rise to this risk is primarily the Euro currency.

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 2016 can be analysed as follows:

	<b>RON</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>	<b>Total</b>
<b>Current assets</b>					
Trade receivables	205,761,041	236,094	22,306,305	30,478,970	258,782,410
Cash and cash equivalents	63,156,555	2,529,297	8,175,969	-	73,861,821
<b>Total current assets</b>	<b>268,917,596</b>	<b>2,765,391</b>	<b>30,482,276</b>	<b>30,478,970</b>	<b>332,644,231</b>
<b>Current liabilities</b>					
Loans			812,802		812,802
Trade payables	31,008,332	12,377,465	50,245,810	326,976	93,958,583
<b>Total current liabilities</b>	<b>31,008,332</b>	<b>12,377,465</b>	<b>51,058,612</b>	<b>326,976</b>	<b>94,771,385</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 2016 comprises the short-term investments in bank deposits. These assets have variable interest rates reprised at maturity at the discretion of the financial instrument issuer.

**iii) Credit risk**

In the normal course of its business, the Company is subject to credit risk principally from trade debtors. Management closely monitors its exposure to credit risk on a regular basis. Credit risk with respect to trade receivables is relatively high in the actual economic and financial conditions.

The Company has used the following methods to hedge against the trading risk: assignment of receivables. At 31.03.2016, the company has covered the risk of default for 90.6% of the outstanding receivables from the domestic market.

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

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

**iv) Market risk**

The Romanian economy is continuing its development and there are on-going changes as policies and legislation are aligned to the European Union membership requirements. Potential changes in conditions that might take place in Romania and their effect on the financial position, result of operations and cash flows of the Company have not been taken into consideration when preparing the financial statements.

**NOTE 22: Fundamental errors**

During the period 01.04.2015-31.03.2016, the Company did not record any adjustments in the accounting records related to fundamental errors discovered in prior years' financial statements.

**NOTE 23: Subsequent events**

The Company has no events to report subsequent to the completion of these financial statements.

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

**DIRECTOR ECONOMIC,**  
**Sanda Codreanu**