ROPHARMA SA

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
30th of JUNE 2018

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION

CONTENTS

To Shareholders
Ropharma SA
Brasov, Romania

	Note	December 31st, 2017	June 30th, 2018
Assets			
Fixed assets			
Tangible assets	**5**	87.092.021	92.236.507
Goodwill	**6**	11.613.659	11.613.659
Goodwill from consolidation		12.691.380	12.691.380
Intangible assets	**7**	14.946.381	16.490.907
Investments in associated entities		1.000	1.000
Real estate investments	**8**	32.683.069	51.026.422
NON-CURRENT ASSETS - TOTAL		**159.027.511**	**184.059.875**
Current assets			
Inventories	**9**	85.012.830	81.727.109
Trade receivables and other receivables	**10**	103.436.356	115.127.023
Prepaid expenses		1.119.156	2.036.602
Cash and cash equivalents	**11**	10.419.516	9.163.311
Total current assets		**199.987.858**	**208.054.045**
Total assets		**359.015.369**	**392.113.920**
Shareholders' Equity and liabilities			
Equity			
Share capital	**12**	68.698.617	68.698.617
Share premiums		2.021.064	2.021.064
Reserves		25.788.460	40.001.418
Revaluation reserve		11.843.435	11.843.435
Own shares		0	(12.808)
Losses related to equity instruments		(113.274)	(113.274)
Retained profits		11.626.892	5.151.387
Retained earnings		40.368.006	37.791.294
Total equity		**160.233.199**	**165.033.082**
Uncontrolled interests		**8.805.848**	**9.539.838**
Long-term liabilities			
Long-term loans	**13**	12.221.168	11.261.312
Obligations from finance lease		0	42.516
Deferred tax debts		6.356.624	6.010.081
Total long-term liabilities		**18.577.792**	**17.313.909**
Current liabilities			
Current portion of long-term loans	**13**	7.010.259	4.378.755
Short-term loans	**13**	15.072.331	22.750.346
Trade liabilities and other liabilities	**14**	145.613.487	170.118.026
Other taxes and liabilities related to social security		2.846.633	2.022.767
Investments grants		123.806	115.268
Deffered income		0	129.336
Provisions		251.624	246.912
Deferred tax liabilities		428.681	427.156
Obligations from finance lease		51.709	38.525
Total current liabilities		**171.398.530**	**200.227.091**
Total liabilities		**189.976.322**	**217.541.001**
Total shareholders' equity and liabilities		**350.209.522**	**382.574.082**

	Note	H1 2017	H1 2018
Operating income			
Net income from sales	**15**	242.834.114	258.696.535
Other Income	**16**	23.248.952	27.571.734
Total operating revenue		**266.083.066**	**286.268.269**
Operating expenses			
Cost of goods sold		(203.587.032)	(215.853.652)
Expenses for employees' benefits	**17**	(30.822.346)	(35.747.566)
Profit/(loss) from the sale and disposal of fixed assets		1.046.129	704.813
Services rendered by third parties		(8.744.804)	(9.652.086)
Value adjustments of current assets		13.452	(34.196)
Provisions for risks and expenses		11.200	13.177
Depreciation of fixed assets		(4.302.986)	(4.851.569)
Other operating costs	**18**	(12.810.902)	(13.705.257)
Total operating expenses		**(259.197.290)**	**(279.126.337)**
Gross profit (operating result)		**6.885.776**	**7.141.932**
Financial income		520.769	245.405
Financial costs		(824.757)	(670.579)
Financial result	**19**	**(303.988)**	**(425.174)**
Profit before tax		**6.581.789**	**6.716.758**
Income tax	**20**	(878.881)	(1.088.766)
Deferred profit tax		(88.663)	218.542
Profit from continued activities		**5.614.245**	**5.846.534**
Net profit attributed to non-controlling interests		408.416	561.972
Net profit attributed to owners of the parent company		**5.205.828**	**5.284.562**
Other comprehensive result items			
Gains/Loses from revaluation of land and buildings		-	
Income tax related to other elements of the comprehensive earnings		-	
Other comprehensive result items, except taxes		-	
Total comprehensive result for the period		**5.614.245**	**5.846.534**
Comprehensive result attributed to non-controlling interests		408.416	561.972
Comprehensive result attributed to owners of the parent company		**5.205.828**	**5.284.562**

	Subscribed capital	Capital adjustments	Share premium	Reserves	Other reserves	Own shares	Retained earnings	Result from valuation reserves	Revaluation reserves	Result from the application of IAS/IFRS for the first time	Result from the application of IAS 29 for the first time	Losses related to capital instruments	**Total equity**	**Minority interests**	**Total**
01/01/2017	51.126.741	17.571.876	2.021.064	4.213.616	20.679.613	-	8.866.632	11.232.686	9.514.480	37.483.217	(17.571.876)	(113.274)	145.024.775	7.049.208	**152.073.982**
Current comprehensive income							13.263.705						13.263.705	-	13.263.705
Result related to minority interest							(1.636.813)						(1.636.813)	1.636.813	-
Deferred tax related to the difference from the evaluation									(635.943)				(635.943)	-	**(635.943)**
Revaluation reserve									3.974.642				3.974.642	-	**3.974.642**
Transfer to retained earnings from revaluation reserves								1.009.744	(1.009.744)				-	-	-
Total other elements of the comprehensive earnings							11.626.892	1.009.744	2.328.954				14.965.591	1.636.813	**16.602.403**
Allocations to the legal reserve				504.548			(504.548)						-	-	-
Capital increase													118.235	-	**118.235**
Allocations to other reserves					248.278		(248.278)						-	-	-
Conversion differences					142.405		744.236						886.642	119.827	**1.006.469**
Result from correcting errors							(643.808)						(643.808)	-	**(643.808)**
12/31/2017	**51.126.741**	**17.571.876**	**2.021.064**	**4.718.164**	**21.070.296**	**-**	**19.841.126**	**12.242.430**	**11.843.434**	**37.483.217**	**(17.571.876)**	**(113.274)**	**160.233.199**	**8.805.848**	169.039.047

	Subscribed capital	Capital adjustments	Share premium	Reserves	Other reserves	Own shares	Retained earnings	Result from valuation reserves	Revaluation reserves	Result from the application of IAS/IFRS for the first time	Result from the application of IAS 29 for the first time	Losses related to capital instruments	**Total equity**	**Minority interests**	**Total**
01/01/2018	51,126,741	17,571,876	2,021,064	4,718,164	21,070,296	-	19,841,126	12,242,430	11,843,434	37,483,217	(17,571,876)	(113,274)	160,233,199	8,805,848	**169,039,047**
Current retained earnings							5,846,534						5,846,534		5,846,534
Result related to minority interest							(561,972)						(561,972)	561,972	
Transfer to retained earnings from revaluation reserves								614,403	(614,403)				-		-
Total other elements of the comprehensive earnings							5,284,562	614,403	(614,403)				5,284,562	561,972	**5,846,534**
Allocations to the legal reserve				358,793			(358,793)						-		-
Allocations to other reserves					11,821,445		(11,821,445)						-		-
Conversion differences					(382,722)		(2,595)						(385,317)	172,018	**(213,300)**
Own shares movements						(12,808)							(12,808)		**(12,808)**
Result from correcting errors							(86,554)						(86,554)		**(86,554)**
06/30/2018	**51,126,741**	**17,571,876**	**2,021,064**	**5,076,957**	**32,509,019**	**(12,808)**	**12,856,301**	**12,856,833**	**11,229,032**	**37,483,217**	**(17,571,876)**	**(113,274)**	**165,033,082**	**9,539,838**	**174,572,919**

	Note	H1 2017	H1 2018
Net profit		**5.205.828**	**5.284.564**
Adjustments for:			
Depreciation and amortization expenses		4.302.986	4.851.569
Interest expense and financing related costs		279.375	375.066
Interest income		(3,431)	(14.599)
Depreciation adjustments for stocks		-	(78.654)
Depreciation adjustments for receivables		(13.452)	12.755
Loss / (Profit) on disposal of fixed assets		(1.046.129)	(704.813)
Deferred tax expenses / (income)		88.663	(218.542)
Unrealised exchange differences		550.288	(385.317)
Net cash from (used in) operating activities before changes in working capital		**9.364.128**	**9.122.027**
Changes in working capital:			
(Increase) / decrease of the stock		(1.341.988)	3.364.376
(Increase) / decrease in trade receivables and other receivables		(5.097.358)	(12.620.867)
Increase / (decrease) in trade debts and other debts		(3.558.487)	9.383.610
Net cash from (used in) operating activities		**(633,705)**	**9.249.145**
Income tax paid		(456,815)	(825.100)
Net cash from / (used in) operating activities		**(1,090,520)**	**8.424.045**
Cash flows from investing activities:			
Purchase of tangible assets		(11.310.087)	(10.772.803)
Purchase of intangible and financial assets		(450.574)	(1.544.526)
Purchase of investment property		(3.382.457)	(18.343.353)
Receipts from assets sales		1.213.461	1.481.561
Interest received		3.431	14.599
Conversion differences		0	172.018
Own shares		0	(12.808)
Non-controlling interests		363.133	561.972
Net cash from / (used in) investing activities		**(13.563.093)**	**(28.443.341)**
Cash flows from financing activities:			
Loans (paid) received during the year		(2.555.904)	(3.638.872)
Loans received during the year		0	47.512
Interest paid		(279.375)	(375.066)
Payments related to leasing contracts		(60.366)	(20.831)
Net cash from / (used in) financing activities		**(2.895.645)**	**(3.987.257)**

Net increase / (decrease) in cash and cash equivalents		(17.549.258)	(24.006.553)
Cash and cash equivalents at the beginning of the financial year		**22.660.763**	**10.419.516**
Cash and cash equivalents at the end of the financial year		**5.111.505**	**(13.587.037)**
Cash and cash equivalents at end of the period include:			
Bank accounts and cash	**11**	7.976.932	9.163.311
Overdraft		(2.865.428)	(22.750.346)
Total		**5.111.505**	**(13.587.036)**

The financial statements were authorized for issue by the Board of Directors on 27th of August, 2018 and signed on its behalf.

Mihai Miron
Chairman of the Board of Directors

Alin Radasanu
Chief financial officer

Note 1. GENERAL INFORMATION

REPORTING ENTITY
SC Ropharma SA ("The Company")

Ropharma SA ("The Company") conducts sales of medicines, dietary supplements and para-pharmaceutical products. The main activity of the Company is selling medicines in specialized stores.

The company exists since 1991. Since 1999, it became private equity company, conducting sales of medicines and para-pharmaceutical products. In 2007 the company name has changed, and in 2009 took place the merger by absorption of 3 pharmaceutical companies with similar activity.

The company is a joint stock company listed on the Bucharest Stock Exchange, established and based in Romania. The registered office address is Iuliu Maniu nr. 55, Brasov.
The main market is Romania.

The shareholders of the company Ropharma SA at 30 June 2018 are: Arrow Pharmaceuticals (31.19%), ADD Pharmaceuticals (17.62%), Rimi Investments (14.07%), the Private Pension Fund Allianz-Tiriac (8.78%), GOA Capital (3.96%), ING Private Pension Fund (3.65%), other legal entities (4.17%) and natural persons (16.56%).

Taking into consideration the provisions of Law no. 91/2015 for amending and completing Law no. 95/2006 regarding the reform of the healthcare system, which stipulates that legal entities authorized to deliver medicines to the population cannot, according to national legislation, also carry out wholesale medicine distribution activity, starting with November 2015, the wholesale distribution of medicines has been separated from retail activity and was carried out within the company Ropharma Logistic.

Consolidated financial statements at and for the half year ended 30th of June 2018 are related to the Company, Branches (Ropharma Logistic SA 100%, Aesculap Prod SRL 99.997%) and associated companies (Teo Health SA 44.42%, ICS Eurofarmaco Chisinau 50%) hereinafter reffered to as the „Group".

According to the acquired certifications, work is carried out in compliance with ISO 9001 standards.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied to preparing these financial statements are set out below. These policies have been applied consistently in all the years presented, unless otherwise stated.

2.1 *Declaration of conformity*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU"), in accordance with the order of the Minister of Public Finance no. 2844/2016.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Bases of preparation*

The consolidated financial statements of Ropharma were in accordance with international financial reporting standards ("IFRS") and IFRIC Interpretations, as they have been adopted by the European Union. Consolidated financial statements have been drawn up on the basis of historical cost convention, as amended following revaluation of tangible fixed assets at fair value through equity.

Preparation of sconsolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Also, requests the company management to use judgment in the process of applying the Group accounting policies. Areas involving a higher degree of complexity and implementation of these judgments or those in which assumptions and estimates have a significant impact on the financial statements are presented in Note 5.

2.3 *Going concern*

As a result of funding activities carried out and of increased attention granted to the floating capital, the company has improved its liquidity position on short and medium term. Estimates and projections of the Group, taking into account possible reasonable changes commercial performance demonstrates that the Group should be able to operate at current funding levels.

Following analyses carried out, members of the management have reasonable expectations, according to which the Company has adequate resources to continue to operate for the foreseeable future.
Therefore, the Group adopts the going concern principle in preparing its consolidated financial statements.

2.4 *Consolidation*

These are consolidated statements of the Group.
The Company prepares individual financial statements for the same period in accordance with International Financial Reporting Standards, as they have been adopted by the European Union. Consolidated financial statements for the half year ended on 31st of December 2018 shall be issued in the legal term.

2.5 *Foreign currency conversion*

(a) Functional and presentation currency

Items included in the financial statements of the company shall be assessed in the currency of the primary economic environment in which it operates ("functional currency"). Consolidated financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency of the Group.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Transactions and balances

Transactions in foreign currencies are converted into the functional currency using the exchange rate valid at the date of transactions. Gains and losses arising from differences in exchange rates following conclusion of these transactions and from the conversion at the end of the financial year, at the exchange rate at year end of monetary assets and obligations denominated in foreign currencies shall be reflected in the profit and loss account, unless they are recorded in equity as instruments for hedging corporate cash flows risk and as tools for hedging net investment risks.

Gains and losses from the exchange rate, which refer to loans, cash and cash equivalents are presented in the profit and loss account in "gain or financial expenses".

2.6 Tangible assets

Lands and buildings are presented at fair value, based on periodic evaluations, at least once every three years, carried out by external independent valuers, less subsequent depreciation and impairment for buildings. Any depreciation cumulated at the date of revaluation is eliminated from the gross book value of the asset, and the net amount is recorded as an asset revalued value.
All other tangible assets are recorded at historical cost minus depreciation. Historical cost includes expenditures that can be directly attributed to the acquisition of the respective elements.

Subsequent costs are included in the book value of the asset or recognized as a separate asset, as appropriate, only when input of future economic benefits to the company associated with the item is probable and the cost of the item in question can be measured reliably.

Increases in book value resulting from revaluation of lands and buildings are credited to "revaluation reserve" in the equity. Reductions which related increases of the same asset offsets are recorded alongside other reserves directly in equity; all other reductions are recorded in the profit and loss account. Amounts entered in the revaluation reserve are transferred to the result carried forward at the end of the useful life of the asset or when the asset is recognized.

Repair and maintenance costs are recorded in the income and expenditure statement during the financial period in which they are incurred. The cost of replacing major components of property, plant and equipment items are capitalized when replacement parts are scrapped.

Land is not depreciated.
Depreciation of other items of property, plant and equipment is calculated on the basis of the straight-line method to reduce the revalued amount of each asset to its residual value over its useful life as follows:

Landscaping	20 years
Buildings	32 – 48 years
Technical installations and machinery	5 - 18 years
Means of transportation	4-6 years
Office equipment	2-10 years

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The residual value of an asset is the estimated value obtained by the company from disposal of the asset less the estimated costs of disposal, if the asset already has the length and corresponds to conditions related to the end of its useful life. The residual value of the asset is zero if the company expects the use of the asset by the end of its physical life.

2.7 Intangible assets

Software

Licenses purchased related to the rights of software use are capitalized on the basis of costs incurred with the acquisition and commissioning of the relevant software. These costs are amortized over their estimated useful life (three to five years). Costs associated with developing or maintaining the computer software programs are recognized as expenses in the period they are made.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized and are annually reviewed to identify impairment losses. Assets that are subject to impairment are reviewed for identification of impairment losses whenever events or changes in circumstances indicate that the book value cannot be recovered. An impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less costs of sale and value in use. To assess impairment, assets are grouped up to the lowest level of detail for which independent cash flows can be identified (cash generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date.

2.9. Goodwill

Goodwill on the date of acquisition of an entity is included in intangible assets.
Goodwill is stated at cost less accumulated impairment losses.

2.10. Financial assets

2.10.1 Clasification

Financial assets mainly include cash and cash equivalents, customers and other similar accounts. Recognition and measurement of these items is presented in the related accounting policies.

Financial instruments are classified as receivables from loans granted, liabilities or equity in accordance with the content of the contractual arrangement. Interest, gains or losses relating to a financial instrument classified as liability are reported as expense or income, as they incur.

Financial assets are included in floating assets, except those with a maturity period exceeding 12 months from the end of the reporting period. They are classified as long-term assets. Loans and receivables are classified as "cash and cash equivalents" and "customer and other receivables" in the balance sheet.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10.2 Recognition and evaluation

The company initially recognizes receivables and deposits at the date when they were initiated. All other financial assets are initially recognized on the trade-in date when the Company becomes party to the contractual terms of the instrument.

The Company derecognizes a financial asset when contractual rights on the asset generated flows expires or when are transferred the rights to collect the contractual cash flows of the financial asset through a transaction under which the risks and benefits of ownership of the financial asset are significantly transferred. Any interest in the transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Loans and receivables are recorded at amortized cost using the effective interest method.

2.10.3 Impairment of financial assets

The book value of financial assets is reviewed at each financial year end to determine if there are declines in value. If such a decline is likely, the recoverable amount of the asset in question is estimated. If necessary, an impairment loss is recognized in the profit or loss account, when the book value of the asset is superior to its recoverable amount.

The Company first assesses whether there is objective evidence of impairment.

The amount of the loss is measured as the difference between the book value of the asset and the value of the estimated future cash flows updated to the effective initial interest rate of the financial asset. The book value (carrying amount) of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income and expense. If a loan or an investment held to maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical solution, the company may measure impairment based on the fair value of the instrument, using an observable market price.

If, during a subsequent period, the amount of the impairment loss decreases and said decrease can be linked objectively to an event occurred after the impairment was recognized (such as an improvement in the credit rating of the borrower), the resumption of the impairment loss previously recognized is entered in the profit and loss statement.

2.11 Inventories

Inventories are stated at the lowest amount between cost and net realizable value. The cost is determined based on the specific identification method. When specific identification can not be made, the company determines the cost based on first in - first out (FIFO) method. The cost of commodities includes the cost of related transport - supply and does not include costs related to loans.
In the normal course of business, the net realizable value is estimated based on the selling price reduced by related variable selling expenses.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where necessary, impairment adjustments for slow moving stocks (stocks acquired in the previous financial year for which there has been no turnover in the last 6 months of the current financial year) or are physically or morally worn out.

a) Trade receivables

Trade receivables are initially recognized at fair value less the impairment adjustment.

Trade receivables are amounts due from customers for goods sold or services provided in the normal course of business. If it is estimated to be collected within one year or less than one year (or later, in the normal course of business), they will be classified as current assets. Otherwise, will be presented as fixed assets.
Adjustment for impairment of trade receivables is done when there is objective evidence that the company will not be able to collect all the amounts payable to it according to the original terms of receivables.
The company policy is to constitute allowance for impairment for the following situations:

- the debtor enters into insolvency proceedings, impairment is stated at the level of the due and non-due recorded debit;
- the debtor enters into bankruptcy proceedings or financial restructuring, adjustment stated being at the level of the due and non-due recorded debit;
- Non-payment or failure to comply with payment terms, the adjustment being at the level of the due debit arisen to the delivery of goods made during the previous year.

Adjustment is calculated as the difference between the value recorded in the accounts and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an adjustment account and the amount of the loss is recognized in the profit and loss under heading "value adjustments for floating assets". When trade receivable can not be recovered, it is transferred to expense, with corresponding adjustment reversal for trade receivables. Subsequent recoveries of previously depreciated amounts are credited to the profit and loss statement.

b) Cash and cash equivalents

For the Cash Flow Statement, cash and cash equivalents include cash in hand, bank account balances, over-night bank deposits, purchased and non-distributed meal vouchers.

c) Share Capital

Ordinary shares are classified as part of equity. Direct additional costs attributable to the issue of ordinary shares are recognized as a reduction in equity at net book value.

When the share capital recognized as part of equity is repurchased, the amount paid, including directly attributable costs, net of tax effects, is recognized as decrease in equity. Redemption of shares are classified as treasury shares and are presented as decrease in equity. When treasury shares are freely assigned to employees, they are presented as decrease in equity.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Trade payables

Trade payables are the obligation to pay for the goods or services that were purchased in the normal course of business from suppliers. Supplier accounts are classified as current debts if the payment is to be made within one year or less than one year (or later, in the normal course of business). Otherwise, will be presented as long-term liabilities.

e) Loans

Loans are recognized initially at fair value of the amount received, net of transaction costs.

Loans are classified as short-term liabilities, unless the company has an unconditional right to postpone the payment of the debt for a minimum of 12 months from the balance sheet date. The current portion of long term loan is included in current liabilities. Interest accrued at the balance sheet date is included in "Loans" within current payables if it is not redeemable within 12 months.

Fees paid on the establishment of loan facilities are recognized as costs of borrowing. To the extent that there is no evidence that it is probable for some or all of the facilities to be used, the fees are capitalized as prepayment for financing services and depreciated during the period of the facility to which it relates.

f) *Uncertain tax positions*

Uncertain tax positions of the company are analyzed by the company management at each balance sheet date. We record debts for tax positions for which the management believes it is likely to be additional charges applied if these positions would be checked by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted at the balance sheet date. Debts, interest and penalties related to taxes, other than the income tax, are recognized based on best estimates of the management required to extinguish the obligations at the balance sheet date.

g) Current and deferred profit tax

The company recorded current profit tax at a rate of 16% of the tax output determined in accordance with the Romanian Tax Code and related regulations.

Income tax expense relating to the period includes the current tax and the tax deferred. The income tax is recognised in the profit and loss account, except when it relates to items recognised in other elements of the overall result or directly in equity. In this case, the related tax is recognized in the other elements of the overall result or directly in equity.

The income tax expense is calculated on the basis of tax regulations in force at the balance sheet date. The company management conducts periodical evaluation of tax returns items in relation to cases where the applicable tax rules can be interpreted. This constitutes provisions, where appropriate, on the basis of the amounts estimated to be payable to tax authorities.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The deferred corporate income tax is recognized on the basis of balance sheet obligation method, for temporary differences between the tax bases of assets and debts and their book values in separated statements. However, the deferred income tax arising from the initial recognition of an asset or liability from one transaction other than a business combination and that, at the time of the transaction, does not affect accounting profit nor taxable profit is not recognized. The deferred income tax is determined based on tax rates (and laws) which have entered into force by the date of the balance sheet and that are to be applied during the period in which deferred tax recoverable will be capitalized or the tax deferred payment will be paid.

Deferred tax recoverable is recognized only to the extent that it is likely to obtain taxable profits the future, from temporary differences can be deducted.

Claims and debts relating to tax deferred are offset when there is a legal right to offset current tax claims with current tax liabilities, and when claims and debts on deferred tax imposed by the same tax authority either to the same taxable entity, either to other taxable entities, if there is intent to offset balances on a net basis.

2.20 ***Employees benefits***

In the normal course of business, the company makes payments to the Romanian State on behalf of its employees, for the pension, health and unemployment funds. All company employees are members of the pension plan implemented by the Romanian State. Indemnities, salaries, contributions to the pension funds and social security system of the Romanian State, annual leave and paid sick leave, premiums, and non-monetary benefits are cumulated throughout the year in which related services are rendered by the company employees.

In accordance with the Romanian legislation, Romanian companies are required to pay a benefit at retirement worth 1 gross wage to each employee at the time of retirement. The company has no further obligation towards its employees, under the Romanian law, in relation to pensions and does not participate in any other retirement plan. The pension allowance for illness retirement is granted if only the retirement decision is final.

Employees who are made redundant for reasons that do not depend on them, will benefit from active measures to combat unemployment and compensation set by legal provisions applicable through the collective labour agreement. This benefit is worth 1 gross salary.

2.21 ***Provisions***

Provisions are recognized when the Company has a legal or default obligation arising from past events, when to settle the obligation is required an outflow of resources embodying economic benefits and when a reliable estimate can be made regarding the amount of the liability.
Restructuring provisions include penalties for terminating the lease and penalties for terminating the contracts with employees.
No future operation loss provision is recognized.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A provision for onerous contracts is recognised when the benefits expected to be obtained by the company in the course of a contract are lower than the unavoidable cost of fulfilling contractual obligations. The provision is valued at the current value of the minimum between the estimated cost of contract termination and the expected net cost of continuing the contract. Before setting-up the provision, the company recognizes any impairment loss for the contract associated assets.

Where there is a number of similar obligations, the likelihood for an outflow of resources be necessary for settlement is determined by considering all categories of obligations. The provision is recognised even if the likelihood related to any element included in the same class of obligations is small.

2.22 *Revenue recognition*

Revenues include the fair value of the amount to be received from the sale of goods and services in the normal course of the company's business. Revenues are presented net of value-added tax, rebates and discounts.

The company recognizes revenues when their amount may be reliably assessed, when it is likely to produce future economic benefits to the entity, and when specific criteria for each of the company business have been met, as described below.
The company relies estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific elements of each contract.

(a) Income from sales of goods

Sales of goods are recognised when the company delivers products to customers. The delivery is deemed to take place when the products have been shipped to the specified site, the risk of wear and tear loss have been transferred and the customer accepted the products in accordance with the contract of sale.

(b) Interest income

Interest income is recognised on the basis of the effective interest method. Interest income related to loans and receivables impaired are recognized on the basis of the initial effective interest rate.

(c) Rental income

Rental revenues are recognized on the accrual basis of accounting, in accordance with the economic substance of the related contracts.

(d) Income from dividends

Dividend income is recognised when determining the right to receive the amounts concerned.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 ***Leases***

Leases, where a significant portion of the risks and benefits associated with ownership are assumed by the lessor are classified as operating lease. Operating lease related payments (net of discounts granted by the lessor) are charged to the profit and loss account, according to a linear method over the period of the lease.

Leases for tangible assets, in which the company assumes all property related risks and benefits are classified as financial leases. Financial leases are capitalized at the beginning of leasing to the lower of the fair value of the property leased and the present value of the minimum lease payments.

Each payment is split between capital and interest in order to obtain a constant interest rate during repayment. Rental related obligations, net of financing costs are included in other long-term payables. The interest-related element of financing costs shall be charged to the profit and loss account for the duration of the contract, in order to obtain a constant periodic rate of interest on the remaining balance of the obligation for each period. Tangible assets acquired through financial lease are depreciated over the shorter period of the useful life of the asset or the lease term.

2.24 ***Distribution of dividends***

Distribution of dividends is recognized as debt in the company's financial statements in the period in which dividends are approved by its shareholders.

2.25. ***Changes to accounting policies***

The following new standards that came into effect on 1st of January 2018 may have an effect on the Company's future financial statements. The following list presents the IFRSs that have been issued and have become mandatory since the 1st of January 2018.

- **IFRS 9 Financial Instruments - replaces IAS 39 Financial Instruments: Recognition and Measurement.**

IFRS 9 makes significant changes regarding the recognition and measurement of financial assets based on a business model and contractual cash flows and implements a new model for the recognition of depreciation adjustments based on anticipated loss on receivables.
Additionally, the standard presents changes in accounting for hedging instruments to better reflect the effect of risk management activities that a company adopts to manage exposures. Except for hedge accounting, IFRS 9 will be applied retrospectively. As allowed by IFRS 9, the Company did not change the figures for the previous period.

IFRS 9 presents three main categories for the classification of financial assets: measured at amortized cost, measured at fair value through other elements of the comprehensive earnings, and measured at fair value through profit or loss. We consider that there are no significant differences between the initial evaluation categories under IAS 39 and the new IFRS 9 evaluation categories for the Group's financial assets categories on the 1st of January 2018. According to IAS 39, all trade receivables were accounted

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for at amortized cost minus the depreciation adjustments.

As a general rule, IFRS 9 requires equity instruments to be measured at fair value through profit and loss account. At the time of the initial recognition, the Group may irrevocably opt for subsequent changes in the fair value of an investment in an equity instrument for IFRS 9 to be presented in the statement of comprehensive earnings if the investment is not held for trading, or if, in the case of application of IFRS 3, the buyer does not recognize a contingent payment as a result of a business combination.

According to IFRS 9, all capital investments will be designated as evaluated at fair value through other elements of the comprehensive earnings. Consequently, any profits and losses arising from changes in fair value will be recorded in the comprehensive result, depreciation adjustments will not be recognized in the profit and losses statement, and the profits and losses from their disposal will not be reclassified in the profit and loss statement. We believe that there is no impact on the recognition and measurement of the Group's financial liabilities due to the fact that the new requirements only refer to the accounting for financial liabilities designated at fair value through profit or loss. The new depreciation model stipulates that the depreciation adjustments to be recognized on the basis of expected loss on receivables and not on the pattern of effective impairment losses provided in IAS 39. Financial assets measured at amortized cost will be subject to depreciation provisions in accordance with IFRS 9.

In general, the application of the model regarding anticipated losses from receivables will require early recording of losses from receivables and will lead to an increase in depreciation adjustment for relevant items. Depreciation losses are calculated using a credit risk model, the counterparty's internal or external ratings and the probability of non-payment. For some financial instruments, such as trade receivables, depreciation losses are estimated based on a simplified approach, recognizing anticipated loss from receivables during their life cycles.

According to IFRS 9, several hedging instruments and more covered risks will generally meet the conditions for applying hedge accounting.

The company, based on customer reviews, has implemented a commercial risk control system and grants maximum credit limits to customers according to 6 risk classes.

The evaluation of each client of the Company is made taking into account a set of financial indicators calculated on the basis of financial reports, the history of payments made, risk-benefit analysis, litigations with other creditors, outstanding taxes owed to the state budget, and based on qualitative criteria.

The level of commercial credit granted to each client varies according to the risk class to which it belongs, with maximum limits ranging from 3% to 25% of the turnover achieved by each client according to the financial statements published by the clients.

Customers who request credit limits higher than 25% must constitute collateral. The collaterals received from the clients are constituted in the following forms: the mortgage on the operating authorization, the mortgage on the contract with the Health Insurance House, pledge on stocks registered in the Electronic Archive, the assignments of receivables, the promissory notes approved by the administrator and the fiduciary contracts.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For clients who fall into high risk classes, the Company grants shorter payouts than clients who fall in low risk classes.

- ***IFRS 15 Revenue from Contracts with Customers*** *and related changes - Replaces IAS 18 Revenue, IAS 11 Construction Contracts and Related Interpretations (IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements on Real Estate Construction, IFRIC 18 Transfers of Assets from Customers and SIC 31 Income - Barter transactions involving advertising services).*

The objective of IFRS 15 is to clarify the revenue recognition principles. This includes eliminating inconsistencies and weaknesses perceived and improving the comparability of revenue recognition practices generated by companies, industries and capital markets. In this respect, IFRS 15 establishes a unique income recognition framework. The underlying principle of the framework is: that an entity must recognize revenue to describe the transfer of goods or services promised to clients in an amount that reflects the consideration the entity expects to have the right to in exchange for those goods or services.

The revenue is recognized when or as the customer acquires control over the goods or services. The company has adopted the new standard as of 1st of January 2018 but has not applied the requirements of IFRS 15 for previous presented periods.
According to the new standard, the evaluation will be made taking into account whether the Company controls those goods or services prior to the transfer to the customer, rather than if it is exposed to the significant risks and benefits of selling goods or services.

No significant effects on the Company's financial statements are expected as a result of changes to standards or annual improvements that have entered into force after the 1st of January 2018.

Note 3. FINANCIAL RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:
- Credit risk
- Foreign exchange risk
- Liquidity risk

Like all other businesses, the company is exposed to risks that arise from the use of financial instruments. This note describes the company objectives, policies and processes for managing these risks and methods used to evaluate them. Additional quantitative information in respect of these risks are presented in these financial statements.
There were no major changes in the company's exposure to risks relating to financial instruments, objectives, policies and processes for managing these risks or the methods used to evaluate them in comparison with previous periods, unless otherwise mentioned in this note.

Key financial instruments
The main financial instruments used by the company, from which arises the risk for financial instruments, are as follows:
- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in publicly listed equity
- Trade liabilities and other liabilities

Summary of financial instruments held per categories is supplied below:

	Loans and receivables	
ASSETS	**31-Dec-17**	**30-Jun-18**
Trade and similar receivables	102.266.289	113.513.633
Cash and cash equivalents	10.419.516	9.163.311
Total	**112.685.804**	**122.676.944**

	At amortized cost	
LIABILITIES	**31-Dec-17**	**30-Jun-18**
Trade and similar liabilities	145.527.426	169.710.547
Short-term loans	34.355.468	38.428.939
Short-term provisions	251.624	246.912
Total	**180.134.517**	**208.386.398**

The overall goal of the Board of Directors is to establish policies that seeks to reduce risk as much as possible without affecting company competitiveness and flexibility.

Note 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Additional details about these policies are set out below:

Credit risk

The credit risk is the risk of financial loss to the company that emerges if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to credit risk of sales to customers.

The company implemented a Commercial Policy, approved by the Board of Directors of Ropharma SA. It clearly discloses the commercial conditions of sale, having conditions imposed in the selection of clients.

Calculation and analysis of net situation (equity)

Ratios (LEI)	**31-Dec-17**	**30-Jun-18**
Loans and borrowings	34.355.468	38.428.939
Cash and cash equivalents	(10.419.516)	(9.163.311)
Net debts	**23.935.952**	**29.265.628**
Total shareholders' equity	**160.233.199**	**165.033.082**
Net debt to equity (%)	**14.94%**	**17,73%**

Foreign exchange risk

The company is mainly exposed to the currency risk in purchasing from vendors of raw materials, packaging and other materials from abroad. The vendors that supply items required for the manufacture of drugs must have quality documents, as provided in European rules for the registration of medicinal products. The company may not limit such acquisitions from third countries. Tracking deadlines and ensuring monetary availability for payment, so that the effect of exchange rate risk to be minimized, are in charge of the economic department.

On June 30, 2018, company net exposure per types of foreign currency was the following:

	For the year ended	
Assets/liabilities in EURO equivalent LEI	**31-Dec-17**	**30-Jun-18**
Monetary financial assets	-	-
Monetary financial liabilities	(34.355.468)	(38.428.939)
Net financial assets	**(34.355.468)**	**(38.428.939)**
EUR/RON variation	Gain/Loss	
RON appreciation to EUR by 5%	(1.717.773)	(1.921.447)
RON depreciation to EUR by 5%	1.717.773	1.921.447
Impact on the profit and loss	-	-

Note 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Assets and liabilities in EURO	**31-Dec-17**	**30-Jun-18**
Monetary financial assets	-	-
Monetary financial liabilities	(7.372.893)	(8.244.607)
Net financial assets	**(7.372.893)**	**(8.244.607)**

The company's net exposure to foreign exchange risk, equivalent in lei, is presented in the following table:

Assets / Liabilities	**31-Dec-17**	**30-Jun-18**
LEI	(33.093.245)	(47.280.516)
EUR	(34.355.468)	(38.428.939)
Net exposure	**(67.448.713)**	**(85.709.455)**

Considering the relatively low exposure to exchange rate fluctuations, it is not expected that reasonable fluctuations of exchange rates to produce significant effects in future financial statements.

Interest rate risk relating to cash flow and fair value.

The interest rate risk of the company comes from short and long term loans. Loans contracted with variable interest rates expose the Company to cash flow interest rate risk, which is partially offset by cash placed on "over-night" with variable rates type deposits.

Fixed interest rate loans expose the company to the interest rate risk relating to the fair value.

In 2018 and 2017, the Company loans had a variable rate were denominated in EUR and USD.

The Company dynamically reviews its exposure to interest rate. Different scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of changes in the interest rates. For each simulation, we are using the same percentage of the interest rate for all currencies. The scenarios apply to each interest-bearing position.

Based on simulations conducted, the impact of reduction/increase by 2% of the interest rate on profit after tax would be reflected in a maximum increase/decrease of 687.109 lei (288.985 lei – 2016).

Simulation is performed on a quarterly basis to verify that the maximum potential loss falls within the limit set by the company management.

Floating rate instruments	**31 December 2017**	**30 June 2018**
Total loans and leases	34.355.468	38.428.938

Note 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, and credit related exposures, including claims receivable and transactions incurred. For customers, there is no independent evaluation, the company management evaluates the creditworthiness of the client, taking into account the financial position, the past experience and other factors. Individual risk limits are set based on internal ratings, according to the limits set by the Board of directors.

Liquidity risk

Estimates relating to cash flows are carried out at corporate level and approved by the management company. The Company's management monitors any forecasts of liquidity needs, so as to ensure that there is sufficient cash to meet operational requirements, and not to infringe borrowing limits or loans related arrangements (where appropriate) for all loan facilities. These forecasts take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on balance sheet ratios.

The Company management invests the cash surplus in interest-bearing current accounts, term deposits, selecting appropriate maturity instruments or sufficient liquidity in order to provide a sufficient margin.

The table below analyzes financial debts of the Company on the relevant maturity groups, depending on the time remaining at the balance sheet date until the maturity date of the contract.
The values listed in the table represent rated values updated at the balance sheet date:

30 June 2018	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Loans	27.129.101	11.261.312		38.390.413
Obligations from finance lease	38.525	-	-	38.525
Suppliers and other liabilities	169.710.547	-		169.710.547
Total	**196.878.174**	**11.261.312**	**-**	**208.139.486**

31 December 2017	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Loans	22.082.590	12.221.168		34.303.758
Obligations from finance lease	51.709	-	-	51.709
Suppliers and other liabilities	145.527.426	-		145.527.426
Total	**167.661.725**	**12.221.168**	**-**	**179.882.894**

Note 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

Company objectives regarding capital management aim at protecting the firm's ability to continue operating in the future, so as to bring profit to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce capital expenditures.

To maintain or adjust the capital structure, the company may issue new shares or sell assets to reduce the debt.

Like other entities operating in the same business, the Company monitors the capital on the basis of indebtedness coefficient. The net debt is calculated by subtracting from the total loans (including 'short and long-term loans" from the separated balance sheet) the cash and cash equivalents. Total capital is calculated by adding to "equities" in the separated balance sheet, the net liability.

In 2018, the Company strategy consisted in maintaining the indebtedness coefficient between 15% and 20%.

Indebtedness coefficients on June 30, 2018 and 2017 are outlined in the table below:

	31 December 2017	**30 June 2018**
Total Loans	34.303.758	38.390.413
Less: cash and cash equivalents	(10.419.516)	(9.163.311)
Net debt (liability)	**23.884.243**	**29.227.102**
Total shareholders' equity	160.233.199	165.033.082
Total capital	136.348.957	135.805.979
Indebtedness ratio	**17.52%**	**21,52%**

Note 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including anticipations concerning future events considered reasonable in the circumstances.

Critical accounting estimates and judgments

The company prepares estimates and assumptions concerning the future. Resulting accounting estimates will be rarely equal to actual appropriate results. Estimates and assumptions that involve a high degree of risk or determine significant adjustments in the book values of assets and liabilities within the following financial year are dealt with below.

(a) Current income tax

The company is paying tax on profit. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes its obligations for early tax inspections, estimating that additional taxes need to be paid. If the final tax result of these operations is different from the amounts originally recorded, the differences will influence the provision for income tax and deferred tax during the period of estimate.

(b) Deferred income tax

The company has developed estimates regarding to temporary deductible differences (which are temporary differences resulting in values that are deductible for determining taxable profit of future periods, when the book value of the asset is recovered or settled).

(c) Value adjustments for doubtful claims and difficultly marketable and slow-moving inventories

Value adjustments of doubtful receivables: The company's management estimates regarding doubtful receivables are based on the length of the unpaid existing balance and knowledge with regard to the recovery of receivables.

Value adjustments for difficultly marketable and slow-moving inventories: The company's management estimates regarding value adjustments for difficultly marketable and slow motion inventories (rotation speed), namely the length of the current stocks, as well as other information about how they will be recovered in the next period (including the remaining duration until expiry).

Note 5. TANGIBLE ASSETS

	Lands	Buildings and facilities	Plant and machinery	Other systems, equipment and furniture	Preserved fixed assets	Fixed assets in progress	Advance payments granted	Total
Cost								
Balance as at 1 January 2018	**16.345.795**	**46.772.576**	**35.541.476**	**8.609.682**	**3.562.554**	**4.705.321**	**5.506**	**115.542.910**
Inflows	**-**	**2.860.689**	**9.432.834**	**886.428**	**-**	**1.292**	**33.169**	**13.214.411**
Transfers from other categories of intangibles	**23.010**	**4.341.361**	**313.436**	**496.100**	**-**	**5.396.058**	**-**	**10.569.966**
Outflows								
Conversion differences	**-**	**-**	**81.330**	**2.548**	**-**	**140.869**	**-**	**224.747**
Transfers in other categories of intangibles	**(2.275.578)**	**(14.100.648)**	**(1.950.363)**	**(250.186)**	**-**	**(9.612.870)**	**-**	**(28.189.644)**
Balance as at 30 June 2018	**14.913.500**	**41.941.998**	**43.418.714**	**9.744.571**	**3.562.554**	**630.671**	**38.675**	**114.250.682**
Accumulated depreciation								
Balance as at 1 January 2018	**19.939**	**14.670.048**	**21.255.507**	**5.328.902**	**-**	**-**	**-**	**41.274.396**
Depreciation 2018	**6.646**	**4.548.665**	**3.247.456**	**936.727**	**-**	**243.235**	**-**	**8.982.729**
Conversion differences	**-**	**4.184**	**67.248**	**3.826**	**-**	**16.443**	**-**	**91.701**
Outflow depreciation	**-**	**(5.139.377)**	**(1.907.602)**	**(192.341)**	**-**	**-**	**-**	**(7.239.320)**
Balance as at 30 June 2018	**(0)**	**7.109.140**	**22.786.054**	**6.362.867**	**-**	**259.678**	**-**	**36.517.739**
Net book value								
Balance as at 01 January 2018	**16.325.856**	**32.102.528**	**14.291.941**	**3.280.780**	**3.562.554**	**4.705.321**	**5.506**	**74.268.514**
Balance as at 30 June 2018	**14.913.500**	**35.091.558**	**20.638.632**	**3.381.704**	**3.562.554**	**370.993**	**38.675**	**77.732.943**

Cost	Lands	Buildings and facilities	Plant and machinery	Other systems, equipment and furniture	Preserved fixed assets	Fixed assets in progress	Advance payments granted	Total
Balance on 1st of January 2017	**14.913.500**	**41.941.998**	**43.418.714**	**9.744.571**	**3.562.554**	**630.671**	**38.675**	**114.250.682**
Inflows	-	246.981	10.997.185	662.334	-	2.941.981	1.613.437	**16.461.917**
Reevaluare la valoarea justa	1.534.393	1.147.493	-	-	-	-	-	**2.681.886**
Transfers from other categories of intangibles	15.968	1.585.270	1.100.270	138.102	-	16.190	-	**2.855.799**
Outflows	-	(11.553)	(3.301.585)	(322.901)	-	(11.047)	(1.611.603)	**(5.258.689)**
Transfers to other categories of intangibles	(65.742)	(288.262)	-	(10.499)	-	(2.886.479)	-	**(3.250.982)**
Conversion differences	-	127.526	287.827	13.752	-	25.535	-	**454.640**
Balance as at 31 December 2017	**16.398.119**	**44.749.453**	**52.502.410**	**10.225.360**	**3.562.554**	**716.851**	**40.508**	**128.195.254**
Accumulated depreciation								
Balance on 1st of January 2017	**(0)**	**7.109.140**	**22.786.054**	**6.362.867**	**-**	**259.678**	**-**	**36.517.739**
Depreciation 2017	6.736	2.878.260	5.304.991	1.016.802	-	-	-	**9.206.789**
Outflow depreciation	-	(7.595)	(3.149.483)	(317.044)	-	-	-	**(3.474.122)**
Depreciation from revaluation	(6.736)	(1.286.022)	-	-	-	-	-	**(1.292.758)**
Conversion differences	-	12.265	113.759	6.518	-	13.043	-	**145.585**
Balance as at 31 December 2017	**(0)**	**8.706.048**	**25.055.320**	**7.069.143**	**-**	**272.721**	**-**	**41.103.233**
Net book value								
Balance as at 01 January 2017	**14.913.500**	**34.832.857**	**20.632.660**	**3.381.704**	**3.562.554**	**370.993**	**38.675**	**77.732.943**
Balance as at 31 December 2017	**16.398.119**	**36.043.404**	**27.447.090**	**3.156.217**	**3.562.554**	**444.130**	**40.508**	**87.092.022**

The company's land and buildings were revalued last time at 31 December 2017 by independent assessors. Evaluations were made on the basis of information obtained from the market. As a result of the revaluation carried out during the year 2017, a part of the fixed assets recorded an increase in the net book value, which is shown in the profit and loss account under the heading 'Other elements of the overall result". Revaluation surplus has been credited to "Revaluation Reserves". Interest in the cost of fixed assets has not been capitalized.

Note 6. GOODWILL

The goodwill of 11,613,659 lei represents the incorporation of pharmacies whose goodwill was identified at the acquisition.
The Company did not constitute depreciation adjustments for goodwill because there are reasonable assumptions that result in the generation of subsequent economic benefits.

Note 7. INTANGIBLE ASSETS

	Other intangible assets	Acquired pharmacies licenses	Prepayments granted	Total intangible assets
Cost				
Balance as at 1 Jan 2018	**2.523.868**	**14.211.662**	**144.409**	**16.879.939**
Inflows	10.726	1.624.000	75.472	**1.710.198**
Outflows	0	0	5.385	**5.385**
Conversion differences	1.883	0	0	**1.883**
Balance as at 30 Jun 2018	**2.536.477**	**15.835.662**	**214.496**	**18.586.635**
Accumulated depreciation				
Balance as at 1 Jan 2018	**1.933.561**	**0**	**0**	**1.933.561**
Depreciation during the year	160.527	0	0	160.527
Outflows depreciation	0	0	0	0
Conversion differences	1.639	0	0	0
Balance as at 30 Jun 2018	**2.095.727**	**0**		**2.095.727**
Net book value				
Balance as at 1 Jan 2018	**590.307**	**14.211.662**	**144.409**	**14.946.378**
Balance as at 30 Jun 2018	**440.750**	**15.835.662**	**214.496**	**16.490.907**

Note 7. INTANGIBLE ASSETS (CONTINUED)

	Other intangible assets	Licenses for purchased pharmacies	Advances granted	Total intangible assets
Cost				
Balance at 1st of January 2017	**2.563.189**	**12.388.313**	**61.142**	**15.012.644**
Inflows	42.931	1.990.681	**83.267**	**2.116.879**
Prepayments granted	-	-	-	-
Conversion differences	-	-	-	-
Outflows	(82.252)	(167.332)	-	**(249.584)**
Balance at 31st of December 2017	**2.523.868**	**14.211.662**	**144.409**	**16.879.939**
Accumulated amortization				
Balance at 1st of January 2017	**1.701.720**	**-**	**-**	**1.701.720**
Amortization during the year	314.111	-	-	**314.111**
Amortization of outflows	(82.272)	-	-	**(82.272)**
Balance at 31st of December 2017	**1.933.558**	**-**	**-**	**1.933.558**
Net carrying amount				
Balance at 1st of January 2017	**861.470**	**12.388.313**	**61.142**	**13.310.925**
Balance at 31st of December 2017	**590.310**	**14.211.662**	**144.409**	**14.946.381**

The Company did not make depreciation adjustments for licenses of purchased pharmacies because there are fundamental premises resulting in the generation of subsequent economic benefits.

Note 8. REAL ESTATE INVESTMENTS

	Lands	Buildings	Real estate investment in progress	Total real estate investment
Cost				
Balance as at 01 January 2018	**8.148.354**	**14.278.031**	**10.256.683**	**32.683.069**
Inflows	-	4.694	19.600.018	**19.604.712**
Transfer from investments in progress		3.640		**3.640**
Outflows to other categories of intangibles	21.000	204.000		**225.000**
Outflows	350.097	689.901	-	**1.039.998**
Balance as at 30 June 2018	**7.777.257**	**13.392.464**	**29.856.701**	**51.026.422**
Accumulated amortization				
Balance as at 30 June 2018	**-**	**-**	**-**	**-**
Net book value				
Balance as at 01 January 2018	**8.148.354**	**14.278.031**	**10.256.683**	**32.683.068**
Balance as at 30 June 2018	**7.777.257**	**13.392.464**	**29.856.701**	**51.026.422**

	Lands	Buildings	Real estate investment in progress	Total real estate investment
Cost				
Balance as at 01 January 2017	**6.593.444**	**12.884.928**	**2.981.682**	**22.460.054**
Inflows	-	136.800	7.275.001	7.411.801
Transfer inflows from tangible assets	49.552	345.629	-	395.181
Changes in fair value	1.505.358	910.674	-	**2.416.032**
Balance as at 31 December 2017	**8.148.354**	**14.278.031**	**10.256.683**	**32.683.068**
Accumulated amortization				
Balance as at 31 December 2017	**-**	**-**	**-**	**-**
Net book value				
Balance as at 01 January 2017	**6.593.444**	**12.884.928**	**2.981.682**	**22.460.054**
Balance as at 31 December 2017	**8.148.354**	**14.278.031**	**10.256.683**	**32.683.068**

The company has not made depreciation adjustments for this category of assets.

Note 9. INVENTORIES

Stock details are presented in the table below:

	31 December 2017	30 June 2018
Commodities in warehouses and pharmacies	76.591.360	72.126.490
Raw materials	1.349.514	4.267.194
Finished products	2.660.659	1.556.807
Merchandise in transit	3.995.993	3.024.687
Prepayments for acquisitions of merchandise	415.305	751.931
Total	**85.012.832**	**81.727.109**

Note 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

Movements in receivable depreciation adjustments were included in "value adjustments for current assets" in the statement of comprehensive income.

	31 December 2017	30 June 2018
Trade receivables	108.014.589	118.586.318
Adjustments for depreciation of trade receivables	(8.650.283)	(8.663.038)
Receivables from group entities	-	-
Different debtors and other receivables	4.411.724	5.100.094
Adjustments for depreciation of other receivables	(1.509.742)	(1.509.742)
Total financial assets other than cash, classified as loans and receivables	**102.266.289**	**113.513.633**
Receivables related to employees	46.309	49.420
Other debts to the state budget	953.856	1.424.482
Prepayments	169.902	139.489
Total	**103.436.356**	**115.127.023**

The fair values of trade and other receivables classified as loans and receivables do not differ significantly from their carrying amounts.

On 30th of June 2018, the company recorded adjustments for trade receivables representing customer balance that is unlikely to be collected by the company (more than one year, worth 8.663.038 lei). The receivables of the company were analyzed and evaluated according to criteria established according to the risks per customer categories.

Note 11. CASH AND CASH EQUIVALENTS

	31 December 2017	30 June 2018
Current bank accounts	8.094.492	7.657.250
Cash on hand	2.353.249	1.550.276
Other values	(28.226)	(44.215)
Total	**10.419.516**	**9.163.311**

Note 12. SHARE CAPITAL

The subscribed share capital of the company on 30th of June 2018 is 51,126,741.30 lei, the nominal value of one share being of Lei 0.1000 per share. The Company has a number of 511,267,413 shares that give equal rights to the shareholders of the company. Ropharma SA has not issued shares that offer preferential rights to the shareholders.

In accordance with the provisions of IAS 29 - Hyperinflationary economies, the share capital was restated taking into consideration the inflation index communicated by the National Statistics Commission. It was applied starting with the balance determined according to GD 500/1994, from the date of submission until 31.12.2003, the date when it was considered that the national economy ceased to be a hyperinflationary one.

Subsequent to 31.12.2003 the share capital increased according to the historical amounts registered with the Trade Register.

On 31.12.2012, there is a reported loss on the balance sheet of the Company arising from the application for the first time of IAS 29 "Financial Reporting in Hyperinflationary Economies" which is proposed to cover the amount resulting from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" as follows:

Loss retained earnings from the application of IAS 29 for the first time	17.571.876
Share capital adjustments - application for the first time IFRS	17.571.876

According to Order 1690/2012 on the amendment and completion of accounting regulations, the carried forward accounting loss resulting from the transition to application of IFRS, from the adoption of IAS 29 for the first time, and from the use, at the date of transition to application of IFRS, of the fair value as assumed cost is covered by equity (including the amounts reflected in the credit of account 1028 "Adjustments of the share capital"), according to the GMS decision, in compliance with the legal provisions.

Note 12. SHARE CAPITAL (CONTINUED)

On June 30, 2018, the shareholding structure is as follows:

Denumire acționar	Number of shares	Amount (RON)	Percentage
Arrow Pharmaceuticals INC	159.470.243	15.947.024	31,19
Add Pharmaceuticals Limited	90.105.929	9.010.593	17,62
Rimia InvestmentsLimited	71.960.258	7.196.026	14,07
Allianz Private Pension Fund	44.902.271	4.490.227	8,78
GOA Capital SA	20.256.428	2.025.643	3,96
NN Private Pension Fund	18,660,995	1,866,100	3.65
Natural persons	84,612,428	8,461,243	16.55
Other legal entities	21,298,861	2,129,886	4.17
Total	**511.267.413**	**51.126.741**	**100**

Note 13. LOANS AND LEASES

Bank loans have a different maturity and a variable interest rate linked to the Euribor interest rate plus a margin.

	31 December 2017	30 June 2018
Long-term loans		
Long-term bank loans	12.221.168	11.261.312
Financial leasing debts		
Total	**12.221.168**	**11.261.312**
Short-term loans		
Current portion of long term bank loans	7.010.259	4.378.755
Short-term bank loans	15.072.331	22.750.346
Financial leasing debts	51.709	38.525
Total	**22.134.299**	**27.167.627**
Total loans	**34.355.468**	**38.428.939**

The carrying amount of the loans contracted by the Company is denominated in Euro.
Finance lease debts are effectively secured because the rights attaching to the leased asset are the responsibility of the lessor in the event of default.

Note 13. LOANS AND LEASES (CONTINUED)

No.	Bank	Date of granting the loan	Loan amount	Currency	Interest rate	Final maturity date	Main in balance at 31.12.2017 Equivalent in RON	Main in balance at 30.06.2018 Equivalent in RON
1	Ing Bank	17/12/2012	6.500.000	EUR	EURIBOR 1M + bank margin	Until a later date notified by the bank	15.072.331	22.750.347
2	Ing Bank	2/1/2018	1.081.747	EUR	EURIBOR 1M + bank margin	31/01/2025	5.040.613	3.781.599
3	Ing Bank	2/1/2018	813.273	EUR	EURIBOR 3M + bank margin	31/03/2020	3.789.607	2.948.358
4	Ing Bank	2/1/2018	1.779.106	EUR	EURIBOR 1M + bank margin	31/01/2025	9.624.062	8.294.211
5	Ing Bank	2/1/2018	5.500.000	EUR	EURIBOR 1M + bank margin	31/01/2025	-	-
6	Ing Bank	2/1/2018	3.000.000	EUR	EURIBOR 1M + bank margin	31/01/2025	-	-
7	Ing Bank	2/1/2018	1.000.000	EUR	EURIBOR 1M + bank margin	31/01/2022	-	-
8	ADD Pharmaceuticals	26/09/2013	270.000	USD	EURIBOR 1M + margin	31/12/2019	736.606	615.898
9	ADD Pharmaceuticals	17/02/2016	40.000	EUR	EURIBOR 1M + margin	31/05/2018	40.539	-
	Total		**19.984.126**				**34.303.758**	**38.390.413**

Note 14. TRADE LIABILITIES AND OTHER LIABILITIES

	31 December 2017	30 June 2018
Trade payables	137.496.297	153.614.403
Payables to group entities	129.801	331.352
Assets suppliers	2.718.669	8.608.578
Employees related payables	2.962.859	3.073.217
Other liabilities	2.207.435	4.061.630
Interest	12.366	21.368
Total debt less loans, classified as measured to amortized cost	**145.527.426**	**169.710.547**
Taxes and social contributions	2.865.792	2.016.611
Dividends	7.518	7.518
Prepayments from clients	59.384	406.116
Total	**148.460.120**	**172.140.792**

NOTE 15. NET INCOME FROM SALES

	H1 2017	H1 2018
Income from sale of goods	243.394.716	259.524.603
Trade discounts granted	(560.594)	(828.068)
Total	**242.834.412**	**258.696.535**

NOTE 16. OTHER INCOMES

	H1 2017	H1 2018
Rental income	536.728	439.074
Medical services provided	21.341.464	26.241.552
Net income from revaluation of real estate investments	-	86.789
Income from service provisions	538.421	417.105
Other operating income	832.338	387.215
Total	**23.248.951**	**27.571.734**

NOTE 17. EMPLOYEE BENEFITS

	H1 2017	H1 2018
Wage expenses	23.499.706	32.489.104
Expenses for granted meal vouchers	1.998.639	1.950.841
Expenses for insurance and social protection	5.324.001	1.307.621
Total	**30.822.346**	**35.747.566**

NOTE 18. OTHER EXPENSES

	H1 2017	H1 2018
Consumables expenses	2.172.514	2.513.050
Rent expenses	5.511.862	5.811.794
Maintenance costs	679.298	990.284
Utilities expenses	1.396.215	1.554.971
Expenses for insurances	278.557	195.583
Protocol expenses	326.641	393.759
Travel expenses	380.776	494.405
Postage and telecommunications charges	262.454	271.600
Bank services expenses	188.546	199.584
Commission and fees expenses	251.931	103.822
Tax and similar expenses	658.795	677.686
Other operating expenses	703.312	498.718
Total	**12.810.902**	**13.705.256**

NOTA 19. FINANCIAL INCOME AND EXPENSE

	H1 2017	H1 2018
Income from financial activity		
Interest income	3.560	14.599
Income from exchange rate fluctuations	517.210	230.806
Total	**520.769**	**245.405**
Expenses from financial activity		
Interest expenses	(298.426)	(375.066)
Expenses for exchange rate fluctuations	(526.331)	(295.512)
Total	**(824.757)**	**(670.578)**
Financial net result	**(303.988)**	**(425.174)**

NOTE 20. CORPORATE TAX

	H1 2017	H1 2018
Current corporate tax expenses	**887.881**	**1.088.765**

	H1 2017	H1 2018
Profit before tax	**5.781.153**	**6.258.309**
Tax in accordance with the statutory tax rate of 12% and 16%	**924.985**	**985.935**
Effect on corporation tax of:		
Legal reserve	**(24.517)**	**(25.405)**
Non-deductible expenses	**286.271**	**311.222**
Non-taxable income	**(44.973)**	**(37.574)**
Exemptions for sponsorships	**(139.143)**	**(162.211)**
Tax incentives	**0**	**0**
Tax loss recovered	**(123.741)**	**(126.770)**
Items similar to income	**0**	**144.219**
Recording of temporary differences recognized in IFRS adjustments	**0**	**(651)**
Current income tax	**878.881**	**1.088.765**

NOTE 21. CONSOLIDATED STRUCTURE AND NUMBER OF EMPLOYEES

	31 December 2017	30 June 2018
Board of Directors	18	18
Executive management	10	10
Advisors and Assistant Manager for the General Manager	17	17
Acquisitions & Procurement	18	19
Sales	818	836
Logistics & Administrative & Fleet	189	220
Marketing	16	23
Financial Accounting	36	37
Quality	12	12
Legal	7	5
IT	13	11
Human Resources	10	11
Internal audit	5	6
Research & Development	4	6
Medical departments	176	204
Production	40	41
Total	**1.389**	**1.476**

Personalul-cheie din conducere include directorii executivi şi administratorii, membri ai Comitetului Executiv.

Board of Directors

H1 2018	Position
Mihai MIRON	President
Alin Constantin RADASANU	Member
Florentina MIRON	Member
Doru Vasile Victor DARABUS	Member
Consultinvest Pharm SRL. prin repezentant Mihai BRATESCU	Member
Monovia Pharm SRL. prin reprezentant Ovidiu NUT	Member
United Ropharma SRL. prin reprezentant Danut Marian ENE	Member

Executive management

H1 2018	Position
Mihai MIRON	CEO
Alin Constantin RADASANU	CFO
Danut Marian ENE	HR manager

NOTE 22. CONTINGENCIES

The company has contingent liabilities in respect of disputes arising out of the ordinary activity.
No other significant debts are anticipated arising from contingent liabilities.

(a) Disputes

The company is subject to a number of legal proceedings arising in the normal course of business. The company management believes that said proceedings will not have a significant adverse effect on the economic results and financial position of the company, except as outlined in these statements.

(b) Taxation

The Romanian taxation system has undergone multiple changes in recent years and is in a phase of adaptation to the European Union case-law. As a result, there are still different interpretations of the tax legislation. In certain circumstances, the tax authorities may treat differently certain aspects by carrying out the calculation of taxes and additional fees and interest and penalties on late payments (currently penalties are determined by the length of the delay, plus 0.05% daily interest for the delay). In Romania, the tax year remains open to fiscal inspection for five years. The company's management believes that tax obligations included in these financial statements are appropriate.

(c) Transfer price

The Romanian tax legislation includes the "market value" principle, according to which transactions between affiliated parties must be carried out at market value. Local taxpayers who carry out transactions with affiliated parties should prepare and make available to the Romanian tax authorities, at their written request, the transfer pricing documentation. Failure to submit the transfer pricing documentation or submission of an incomplete dossier may result in the imposition of penalties for non-compliance; in addition to the contents of the transfer price documentation, tax authorities may interpret transactions and circumstances different from the management interpretation and, therefore, may require additional tax obligations arising from adjustment of transfer prices. The company management believes that will not suffer losses in the event of a transfer pricing tax inspection. However, the impact of different interpretations by tax authorities cannot be estimated reliably. It may be significant to the financial position and/or corporate operations.

(d) Financial crisis

The recent volatility of international and Romanian financial markets**:**

The current global liquidity crisis that began in mid-2007 has resulted in, among other things, a low level of capital market funding, lower liquidity levels in the banking sector and, occasionally, higher rates on inter-bank loans and a very high volatility of stock exchanges. Currently, the full impact of the current financial crisis cannot be anticipated and prevented in whole.

NOTE 22. CONTINGENCIES (CONTINUED)

The recent volatility of international and Romanian financial markets

The company management cannot reliably predict effects on the financial position of the company to further decrease financial market liquidity and increase volatility in the exchange rate of the national currency and equity markets ratios. The company management believes that it has taken all necessary actions to ensure ongoing concern under present conditions.

Impact on the liquidity

The volume of financing of the economy has significantly declined in recent times. This may impair the ability of the company to get new loans and/or to refinance existing loans under terms and conditions similar to the previous funding.

Impact on customers/borrowers

The clients and other debtors of the company may be affected by market conditions, which may affect their ability to refund owed amounts. This may impact company management's estimates on cash flows and assessment of financial and non-financial assets impairment.

Revaluation of properties held at fair value

The Romanian real estate market has been badly affected by the recent volatility of international financial markets. Thus, the book value of tangible fixed assets valued at their fair value has been updated to reflect market conditions at the balance sheet date.

(e) Commitments

Guarantees

At 30 June 2018, the company had issued letters of guarantee presented in Note 14.

Equivalent in LEI	**December 31 2017**	**June 30 2018**
LEI	515,103	1,502,568
USD	5,837,250	6,004,950
EURO	216,512	270,680
TOTAL	**6,568,865**	**7,778,198**

If the company is failing to fulfil contractual obligations, these letters turns into liabilities.
The company is guarantor of loan contracts incurred by affiliated companies at ING Bank.

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

The following transactios with related parties not included in the consolidation have been made:

(a) Sales of goods, supplies and services

Sale of goods	H1 2017	H1 2018
Bioef	2.551	2.623

Sale of services	H1 2017	H1 2018
St. Constantine Foundation	310.494	159.286

Service charge back	H1 2017	H1 2018
Bioef	12.837	7.704
Bioterra	7.427	7.437
Total	**20.264**	**15.141**

(b) Purchases of goods and services

Purchase of goods	H1 2017	H1 2018
Bioef	1.077.886	1.730.742

Purchase of services	H1 2017	H1 2018
Bioterra	149.299	0
Teo Central	1.205.624	1.265.758
Teo Lunch	133.043	157.798
Total	**1.238.092**	**1.337.893**

Purchase of other goods	2016	2017
Bioterra	239,556	218,912
Total	**239,556**	**218,912**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(c) Compensation granted to key senior management

	H1 2017	H1 2018
Board of Directors Remuneration	472.734	547.680
Executive management salaries	765.359	790.213
Total	**1.238.092**	**1.337.893**

	H1 2017	H1 2018
Shares granted to management	-	-

(d) Balance at the year-end arising from sales/purchases of goods/services

Receivables are not guaranteed and do not bear interest.

Receivables

	31 December 2017	30 June 2018
Bioef	44.015	446.535
St. Constantine Foundation	35.300	85.439
Bioterra	795.507	806.093
Total	**874.822**	**1.338.067**

Liabilities to related parties mainly result from purchase transactions. Liabilities do not bear interest.

Liabilities

	31 December 2017	30 June 2018
Bioef	201.724	39,901
Teo Lunch	16.366	27.539
Teo Central	0	164.988
ADD Pharmaceuticals	783,911	615.898
Total	**1.002.001**	**848.326**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(e) Loans to related parties

Loans to the associated entities were due in one year. Have an interest rate equal to the reference interest rate communicated by the National Bank of Romania.
No loans received from affiliated parties were recorded.

	31 December 2017	30 June 2018
Loans from affiliated parties	718.228	615,898
Interest	65.683	0
Loans granted to affiliated parties not included in consolidation	14.449	0

The financial statements have been authorized to be issued by the Board of Directors on August 27th 2018 and signed on its behalf.
The present financial statements have not been reviewed by the independent external auditor.

Mihai Miron
Chairman of the Board of Directors

Alin Radasanu
Chief financial officer

AFFIDAVIT

According to the provisions of article 30 of Accounting Law no 82/1991

The consolidated financial statements have been prepared on June 30, 2018 for:

Entity:	ROPHARMA S.A.
Registered office:	str. Iuliu Maniu nr. 55, et. 1, Brasov
Tel. / Fax :	0268/547233; 0268/547231
Registered with the Trade Register under no.:	J08/2886/2007
Sole registration number:	1962437

I, the undersigned, Mihai Miron, according to article 10 paragraph (1) of Accounting Law no 82/1991, as CEO of ROPHARMA S.A. take responsibility for the preparation of the consolidated financial statements on June 30, 2018 and confirm the following:

a) The accounting policies used to prepare the half-year financial statements are in accordance with the applicable accounting regulations;
b) The half-year financial statements provide a true perspective of the financial position, financial performance and other information related to the activity carried out;
c) The legal entity carries out its activity in a continuous manner.

CEO
Dr. Pharm. Mihai Miron