

**Accountancy, Expertise & Accounting Consultancy Company  
SOCECC Ltd.**

**INDEPENDENT AUDITOR'S REPORT  
ON  
THE INDIVIDUAL FINANCIAL STATEMENTS DRAWN UP BY  
ANTIBIOTICE S.A. FOR THE FISCAL YEAR ENDED AT  
DECEMBER 31, 2017**

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANTIBIOTICE

### Report on the Audit of Financial Statements

#### Our opinion

We audited the attached financial statements of ANTIBIOTICE S.A. ("The Company") with its registered office in Iași, Valea Lupului St., tax identification number RO1973096 comprising the financial position statement as of December 31, 2017, statement of comprehensive income, statement of changes in equity and cash flow statement for the fiscal year ended at the above-mentioned date and a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2017 are identified as such:

- Net assets/ total equity: 416,877,840 LEI
- Net profit of the fiscal year 33,558,354 LEI

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, of the financial position of the Company on December 31, 2017, as well as of the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance (OMFP) no. 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-UE").

We conducted our audit in accordance with the International Standards on Auditing ("ISA"), "Regulation no. 537 of the European Parliament and of the Council ("The Regulation") and Law no. 162/2017. Our responsibilities are described in detail in the section *Auditor's responsibilities in an audit of financial statements* in our report. We are independent of the Company, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code), according to the relevant ethical requirements for the audit of financial statements in Romania, including the Regulation and Law no. 162/2017 and we fulfilled our ethical responsibilities according to these requirements and IESBA code. We believe that our audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

#### Key issues

Key audit issues are those issues that, based on our professional reasoning had the greatest importance for the audit of the financial statements of the current period. The following key

issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

### **Key issue - Value of trade receivables**

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no. 4 - "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 - "Trade and other receivables" presented the trade receivables in net value of 256 million LEI, adjusted with the estimated depreciation.

During our mission, we conducted audit procedures that included, but were not limited to the following procedures:

- assessing the compliance of the policies for recognizing the income and trade receivables;
- analytical review procedures and detail tests for verifying the amount of reductions granted, including the expansion of the verifications of the granted discounts in the next fiscal year related to the sales from the audited exercise;
- procedures for direct confirmation of trade receivables balances;
- evaluation of internal procedures and methods used by the management team for estimating the probable amount to be cashed;
- verifying the consistency of applying the accounting policies related to the adjustment of trade receivables.

### **Other information - Management Report**

The administrators are responsible for drafting and submitting other information. Those other information include the Management Report but they do not include the financial statements and auditor's report on them. The Management is responsible for this information.

Our audit opinion on the financial statements do not cover other information and we do not express any form of assurance conclusion thereon.

In connection with the our audit on the financial statements, our responsibility is to read this other information and, in this approach, to evaluate whether that information is significantly inconsistent with the financial statements or with the knowledge we gained from the audit or if they appear to include significant errors. If, based on the activity carried out, we come to the conclusion that there are significant errors in this information, we must report this. We have nothing to report in this sense.

Additionally, in accordance with the provisions of OMFP no. 2844/2016, we read the Management Report and report the following:

- in the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements on December 31, 2017.
- The above-mentioned Management Report includes, in all the significant aspects, the information requested by OMFP no. 2844/2016 to the para 15-19 of the Annex no. 1;

- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMFP no. 2844/2016 which will be subsequently presented in a separate report.
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2017 about the company and its environment, we did not identify significant erroneous information presented in the Management Report.

### **Responsibility of management and other persons responsible for governing the financial statements**

The Management is responsible for drafting and fair presentation of these financial statements in accordance with OMFP no. 2844/2016 and for that internal control that the management considers it relevant for elaborating the financial statements without significant misstatements due to fraud or error.

When drafting the financial statements, the management is responsible for assessing the company's ability to continue its activity, presenting, if needed, the aspects related to the continuation of the activity and using the accounting on the basis of the continuity of activity unless the company plans to either liquidate the Company or it has no realistic alternative outside of them.

The persons responsible for administering the company are responsible also for supervising the financial reporting process.

### **The Auditor's responsibility**

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a significant misstatement, if it exists. Misstatements can be caused either by fraud or error and are considered significant if, they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

As part of an audit in accordance with the ISA standards, we exercise our professional judgement and maintain our professional skepticism during the audit. Moreover:

- We identify and evaluate the risks of significant misstatement of the financial statements caused either by fraud or by error, establish and perform audit procedures which to address to these risks and we get enough and appropriate audit evidence to form a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher, because fraud may include complicity, forgery, intentional omissions, false statements, or avoidance of internal control.
- We understand the internal audit relevant to the audit to establish the appropriate audit procedures in the given circumstances, but not to express an opinion on the effectiveness of internal control of the company.
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- We formulate a conclusion on the appropriateness of the company's use of the continuity principle and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the

Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we need to draw attention in the audit report on the related presentations from the financial statements or, if these presentations are inappropriate, we must change our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.

- We evaluate the presentation, structure and overall content of the financial statements, including disclosures and the extent to which the financial statements reflect the transactions and underlying events in a manner that performs the accurate presentation.

We communicate to those responsible for managing, among other things, the planned objectives and timing of the audit, as well as the significant audit findings, including any significant internal control deficiencies identified during our audit.

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

We were appointed by the General Meeting of Shareholders held on June 28, 2017 to audit the financial statements of ANTIBIOTICE S.A. S.A. Iași for the fiscal year ended at December 31, 2017. The uninterrupted total duration of our commitment is 3 years, covering the financial exercises ended at 31.12.2017, 31.12.2018 and 31.12.2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company which we issued on the same date to which we issued this report. Also, in conducting our audit, we maintained our independence from the audited entity.
- We did not provide for the Company the non-audit services that are banned according to the article 5, para. (1) of the UE Regulation no. 537/2014.

*In the name of,*

Accounting, Expertise & Accounting  
Consultancy Company SOCECC Ltd.  
headquartered in Bucharest, registered at  
the Chamber of Financial Auditors of Romania  
with the no.227/2002  
through Zegrea Laurentiu, CAFR certification no. 2666

Iasi, March 14, 2018