



**"ELPEN PHARMACEUTICAL Co. INC."**

**95, Marathonos Avenue, 19009 Pikermi**

**Companies Reg. No.: 13231/04/B/86/188**

**G.E.MI. No.: 264601000**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year 2019**

**1 January to 31 December 2019**



# Independent Auditor's Report

To the Shareholders of ELPEN PHARMACEUTICAL Co. INC.

## **Report on the Audit of the Separate and Consolidated Financial Statements**

### **Qualified Opinion**

We have audited the accompanying consolidated financial statements of ELPEN PHARMACEUTICAL Co. INC. (the Company), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ELPEN PHARMACEUTICAL Co. INC. and its subsidiaries (the Group) as at 31 December 2019, their financial performance and their cash flows for the year then ended in accordance with the requirements of the L. 4308/2014 as in force.

### **Basis for Qualified Opinion**

As a result of our audit arose the following matters:

- 1) In "Other intangible assets" is included also an amount of Euro 9.174.152,76, which concerns the net book amount of the debit difference arising from the Greek Government Bonds swap amounting Euro 12.507.365,73 in order this to be partially and equally transferred to the expenses, over the years 2012-2041, that can be deducted from the taxable income. Because this item, according to the accounting principles provided by the Greek Accounting Standards, does not meet the criteria of recognition as a property asset, the unamortized balance of the account "Other intangible assets" and the Equity are shown increased by amount Euro 9.174.152,76.
- 2) In trade receivables are included also receivables overdue as well as doubtful-contested receivables totalling approximately Euro 1.900.000,00, where the calculated impairment of their value amounting Euro 1.354.275,77 falls short of the required by approximately Euro 600.000,00. Non performing the required impairment constitutes deviation from the accounting principles provided by the Greek Accounting Standards and, as a consequence, the value of the trade receivables and the Equity are shown equally in amount increased.
- 3) The tax returns of the subsidiary for the years 2016 to 2019 have not been examined by the tax authorities. Therefore, the tax results for these years have not been made final. The company of



the group has not proceeded to estimation of additional taxes and penalties that may be assessed at a future tax audit and has not made relevant provision in respect of this contingent liability. From our audit, reasonable assurance has not been obtained in respect of the estimation of the amount of provision that may be required.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as incorporated into the Greek Legislation. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the consolidated Financial Statements” section of our report. We are independent of the Company and its consolidated subsidiaries throughout our appointment in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), as incorporated into the Greek Legislation and the ethical requirements that are relevant to the audit of the separate and consolidated financial statements in Greece, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the current legislation and the above-mentioned IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Responsibilities of Management for the Separate and Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the L. 4308/2014 as in force, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as incorporated into the Greek Legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as incorporated into the Greek Legislation, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other Legal and Regulatory Requirements**

Taking into consideration that management is responsible for the preparation of the Board of Directors' Report, according to the provisions of paragraph 5 of article 2 of L. 4336/2015 (part B'), we note that:



- a) In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of the article 150 and 153 of L. 4548/2018 and its content corresponds with the accompanying consolidated financial statements for the year ended 31/12/2019.
  
- b) Based on the knowledge we obtained during our audit of ELPEN PHARMACEUTICAL Co. INC. and its environment, we have not identified any material misstatements in the Board of Directors' Report.

Athens, 7 August 2020

**IOANNIS K. KATSINELIS**

Certified Public Accountant Auditor  
Institute of CPA (SOEL) Reg. No. 13441

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## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

ASSETS	Note	31/12/2019	31/12/2018
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Land-Buildings	6.1	15.177.148,61	15.496.629,29
Mechanical equipment	6.1	4.746.572,74	4.410.891,29
Other equipment	6.1	534.145,77	492.679,35
<b>Total</b>		<b>20.457.867,12</b>	<b>20.400.199,93</b>
<b>Intangible assets</b>			
Other intangible assets	6.2	10.510.595,29	10.710.464,18
<b>Total</b>		<b>10.510.595,29</b>	<b>10.710.464,18</b>
<b>Payments on account and non-current assets in course of construction</b>	6.3	<b>6.165.617,40</b>	<b>3.424.265,49</b>
<b>Financial assets</b>			
Loans and receivables		40.590,35	40.590,35
Held to maturity investments	7.1	7.621.715,05	6.676.714,38
Participating interests in subsidiaries, associates and joint ventures		53.289,39	72.790,62
<b>Total</b>		<b>7.715.594,79</b>	<b>6.790.095,35</b>
<b>Total non-current assets</b>		<b>44.849.674,60</b>	<b>41.325.024,95</b>
<b>Current assets</b>			
<b>Inventories</b>			
Finished and semi-finished products		6.308.295,24	6.945.145,34
Merchandise		3.432.419,87	2.673.564,37
Raw materials and consumables		7.780.104,20	7.735.106,74
Payments on account for inventories		655,77	147,00
<b>Total</b>		<b>17.521.475,08</b>	<b>17.353.963,45</b>
<b>Financial assets and payments on account</b>			
Trade receivables	7.2	27.181.822,32	27.262.618,59
Accrued income		11.120.373,92	5.948.359,56
Other receivables	7.3	7.750.652,05	3.107.468,58
Other financial assets		2.574,00	2.574,00
Prepaid expenses		191.743,02	136.888,78
Trading portfolio	7.4	9.383.198,36	7.047.601,00
Cash and cash equivalents	7.5	82.350.376,73	80.183.353,71
<b>Total</b>		<b>137.980.740,40</b>	<b>123.688.864,22</b>
<b>Total current assets</b>		<b>155.502.215,48</b>	<b>141.042.827,67</b>
<b>Total Assets</b>		<b>200.351.890,08</b>	<b>182.367.852,62</b>

<b>LIABILITIES</b>	<b>Note</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>Equity</b>			
<b>Paid-up capital</b>			
Capital	<b>8</b>	46.189.410,00	46.189.410,00
<b>Total</b>		<b>46.189.410,00</b>	<b>46.189.410,00</b>
<b>Reserves and retained earnings</b>			
Statutory reserve	<b>8</b>	5.407.360,71	4.946.033,88
Tax-free reserves	<b>8</b>	2.080.059,21	2.080.059,21
Retained earnings		3.830.171,45	(1.558.707,59)
<b>Total</b>		<b>11.317.591,37</b>	<b>5.467.385,50</b>
<b>Total equity</b>		<b>57.507.001,37</b>	<b>51.656.795,50</b>
<b>Provisions</b>			
Provisions for employee benefits		12.607.766,89	11.809.351,55
<b>Total</b>		<b>12.607.766,89</b>	<b>11.809.351,55</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	<b>10.1.1</b>	47.532.030,58	56.200.754,74
Income tax		3.829.763,28	2.049.045,04
Other taxes and duties		1.427.146,98	1.065.004,97
Social security organizations		1.488.580,50	1.414.466,72
Other payables	<b>10.1.2</b>	56.688.417,50	35.821.600,84
Accrued expenses		19.271.182,98	22.350.833,26
<b>Total</b>		<b>130.237.121,82</b>	<b>118.901.705,57</b>
<b>Total liabilities</b>		<b>130.237.121,82</b>	<b>118.901.705,57</b>
<b>Total Equity, Provisions and Liabilities</b>		<b>200.351.890,08</b>	<b>182.367.852,62</b>

## STATEMENT OF INCOME by FUNCTION

		31/12/2019	31/12/2018
Turnover (net)	16	97.612.165,30	95.993.038,86
Cost of sales		(35.868.092,99)	(41.046.554,87)
<b>Gross profit/(loss)</b>		<b>61.744.072,31</b>	<b>54.946.483,99</b>
Other operating income		322.424,01	418.836,74
		<b>62.066.496,32</b>	<b>55.365.320,73</b>
Administrative expenses		(7.231.522,37)	(7.247.657,49)
Distribution costs		(36.642.788,79)	(37.196.517,30)
Research & development costs		(12.342.285,09)	(9.782.619,9)
Impairment of assets (net amount)	11	1.011.729,26	(466.363,27)
Income from participating interests and investments		2.030.350,11	1.654.897,16
Other expenses and losses	11	(2.366.987,02)	(2.627.021,78)
Other income and gains	11	9.718.708,57	4.742.221,59
<b>Earnings/(loss) before interest and tax (EBIT)</b>		<b>16.243.700,99</b>	<b>4.442.259,74</b>
Interest expense and similar charges		(103.777,09)	(55.542,56)
<b>Profit/(loss) before income tax</b>		<b>16.139.923,90</b>	<b>4.386.717,18</b>
Income tax expense		(6.281.100,74)	(1.785.483,82)
<b>Profit/(loss) for the period net of tax</b>		<b>9.858.823,16</b>	<b>2.601.233,36</b>



## STATEMENT OF CHANGES IN EQUITY

	Capital	Statutory reserve	Tax-free reserves	Retained earnings	Total equity
<b>Balance at 1 January 2018</b>	<b>46.189.410,00</b>	<b>4.734.969,81</b>	<b>2.080.059,21</b>	<b>(2.684.216,01)</b>	<b>50.320.223,01</b>
Increase/(decrease) in the period	0,00	211.064,07	0,00	384.363,23	<b>595.427,30</b>
Internal transfers	0,00	0,00	0,00	(63.840,13)	<b>(63.840,13)</b>
Distribution to parties	0,00	0,00	0,00	(1.796.248,04)	<b>(1.796.248,04)</b>
Profit/(loss) for the period	0,00	0,00	0,00	2.601.233,36	<b>2.601.233,36</b>
<b>Total change in equity for the period</b>	<b>0,00</b>	<b>211.064,07</b>	<b>0,00</b>	<b>1.125.508,42</b>	<b>1.336.572,49</b>
<b>Balance equity at 31 December 2018</b>	<b>46.189.410,00</b>	<b>4.946.033,88</b>	<b>2.080.059,21</b>	<b>(1.558.707,59)</b>	<b>51.656.795,50</b>
<b>Balance at 1 January 2019</b>	<b>46.189.410,00</b>	<b>4.946.033,88</b>	<b>2.080.059,21</b>	<b>(1.558.707,59)</b>	<b>51.656.795,50</b>
Increase/(decrease) in the period	0,00	0,00	0,00	0,00	<b>0,00</b>
Internal transfers	0,00	0,00	0,00	0,00	<b>0,00</b>
Distribution to parties	0,00	0,00	0,00	(4.008.617,29)	<b>(4.008.617,29)</b>
Profit/(loss) for the period	0,00	461.326,83	0,00	9.397.496,33	<b>9.858.823,16</b>
<b>Total change in equity for the period</b>	<b>0,00</b>	<b>461.326,83</b>	<b>0,00</b>	<b>5.388.879,04</b>	<b>5.850.205,87</b>
<b>Balance equity at 31 December 2019</b>	<b>46.189.410,00</b>	<b>5.407.360,71</b>	<b>2.080.059,21</b>	<b>3.830.171,45</b>	<b>57.507.001,37</b>

## STATEMENT OF CASH FLOWS (Indirect Method) at 31.12.2019

	Year 2019	Year 2018
<b><u>Cash flows from operating activities</u></b>		
Profit before taxes	16.139.923,90	4.386.717,18
<b>Plus/Less adjustments for:</b>		
Depreciation-Amortisation and impairment of tangible and intangible assets	2.660.414,68	2.732.646,62
Provisions	780.382,89	3.467.474,78
Profit and losses from disposal of assets	0,00	185,00
Profit and losses from measurement of assets	-1.002.572,48	426.474,85
Interest expense/income (net amount)	-1.926.573,02	-1.599.354,60
<b>Operating profit before adjustments of working capital</b>	<b>16.651.575,97</b>	<b>9.414.143,83</b>
<b>Plus/Less adjustments of working capital to net cash or related to operating activities:</b>		
Decrease/(increase) of inventories	-167.511,63	3.332.071,04
Decrease/(increase) of receivables	-8.803.886,31	521.263,72
Increase/(decrease) of payables	10.082.023,48	6.987.247,81
<b>Less:</b>		
Interest expense/income paid/received	-103.777,09	-55.542,56
Income tax paid	-6.656.860,98	0,00
<b>Net cash flows from operating activities (a)</b>	<b>11.001.563,44</b>	<b>20.199.183,84</b>
<b><u>Cash flows from investing activities</u></b>		
Payments (proceeds) for acquisition (sale) of fixed assets	-4.578.247,69	-2.643.754,55
Payments (proceeds) for acquisition (sale) of financial assets	-2.278.025,55	505.429,23
Granted loans (net)	0,00	0,00
Interest received	2.030.350,11	1.654.897,16
Dividends received	0,00	0,00
<b>Net cash used in investing activities (b)</b>	<b>-4.825.923,13</b>	<b>-483.428,16</b>
<b><u>Cash flows from financing activities</u></b>		
Proceeds (payments) from increase/(decrease) of capital	0,00	0,00
Proceeds/(repayments) from/(of) loans	0,00	0,00
Dividends paid	-4.008.617,29	-1.796.248,04
<b>Net cash used in financing activities (c)</b>	<b>-4.008.617,29</b>	<b>-1.796.248,04</b>
<b>Net increase/(decrease) in cash and cash equivalents (a) + (b) + (c)</b>	<b>2.167.023,02</b>	<b>17.919.507,64</b>
Cash and cash equivalents at beginning of the period	80.183.353,71	62.263.846,07
<b>Cash and cash equivalents at end of the period</b>	<b>82.350.376,73</b>	<b>80.183.353,71</b>

Pikermi, 31 July 2020

THE CHAIRMAN OF THE B. OF D.

THE VICE CHAIRMAN OF THE B. OF D.

DIMITRIOS KON. PENTAFRAGKAS  
ID. No. AE 562381

THEODOROS ELEFTH. TRYFON  
ID No. AH 621121

THE MANAGING DIRECTOR

THE ACCOUNTING MANAGER

KONSTANTINOS DIM. PENTAFRAGKAS  
ID. No. AE 024765

ZANIS KON. PAPOURTZIS  
E.C.G. Licence No. 0006923/A' Class