



"ELPEN PHARMACEUTICAL Co. INC"

95, Marathonos Ave. 19009 Pikermi

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

G.E.MI. No.: 264601000

FINANCIAL STATEMENTS

Year 2018

1 January to 31 December 2018



Independent Auditor's Report

To the Shareholders of ELPEN PHARMACEUTICAL Co. INC

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of ELPEN PHARMACEUTICAL Co. INC (the Company), which comprise the balance sheet as at 31 December 2018, the 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 financial statements present fairly, in all material respects, the financial position of ELPEN PHARMACEUTICAL Co. INC as at 31 December 2018 its financial performance and its 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 9.590.648,04 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 9.590.648,04.
- 2) In the account "Participating interests in subsidiaries, associates and joint ventures" amount Euro 6.026.000,00 is presented the acquisition cost of shares of a foreign company the financial statements of which are not audited by a Certified Auditor Accountant. Have not been made available to us records related to the fair value of these shares and consequently we have reservations for their proper valuation and any possible impact on the results for the present and the previous years as well as on the total Equity of the company.
- 3) In trade receivables are included also receivables overdue as well as doubtful-contested receivables totalling approximately Euro 2.125.000,00, where the calculated impairment of their value amounting Euro 1.255.198,25 falls short of the required by approximately Euro 870.000,00. 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.

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 Financial Statements" section of our report. We are independent of the Company 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 (part B') of L. 4336/2015, 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 43a of cod. L. 2190/1920 and its content corresponds with the accompanying financial statements for the year ended 31.12.2018.
- 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, 8 August 2019

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

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BALANCE SHEET AT 31 DECEMBER 2018

ASSETS	Note	31/12/2018	31/12/2017
Non-current assets			
Tangible assets			
Land-Buildings	6.1	15.496.629,29	15.820.961,03
Mechanical equipment	6.1	4.410.891,29	4.793.312,00
Other equipment	6.1	474.815,72	419.570,55
Total		20.382.336,30	21.033.843,58
Intangible assets			
Other intangible assets	6.2	10.710.464,18	10.828.601,96
Total		10.710.464,18	10.828.601,96
Payments on account and non-current assets in course of construction	6.3	3.424.265,49	2.729.960,59
Financial assets			
Loans and receivables		40.590,35	39.645,35
Held to maturity investments	7.1	6.676.714,38	6.717.670,81
Participating interests in subsidiaries, associates and joint ventures		6.098.790,62	6.098.790,62
Total		12.816.095,35	12.856.106,78
Total non-current assets		47.333.161,32	47.448.512,91
Current assets			
Inventories			
Finished and semi-finished products		6.945.145,34	7.679.067,52
Merchandise		2.380.450,91	2.540.164,09
Raw materials and consumables		7.735.106,74	9.454.675,58
Total		17.060.702,99	19.673.907,19
Financial assets and payments on account			
Trade receivables	7.2	27.990.604,86	31.640.114,90
Accrued income		5.948.359,56	1.208.556,21
Other receivables	7.3	2.835.167,68	2.533.667,74
Other financial assets		2.574,00	2.574,00
Prepaid expenses		117.578,27	60.868,68
Trading portfolio		7.047.601,00	7.938.548,65
Cash and cash equivalents	7.4	79.363.366,48	60.861.815,67
Total		123.305.251,85	104.246.145,85
Total current assets		140.365.954,84	123.920.053,04
Total Assets		187.699.116,16	171.368.565,95

LIABILITIES	Note	31/12/2018	31/12/2017
Equity			
Paid-up capital			
Capital	8	46.189.410,00	46.189.410,00
Total		46.189.410,00	46.189.410,00
Reserves and retained earnings			
Statutory reserve	8	4.946.033,88	4.734.969,81
Tax-free reserves	8	2.080.059,21	2.080.059,21
Retained earnings		4.008.617,29	1.796.248,04
Total		11.034.710,38	8.611.277,06
Total equity		57.224.120,38	54.800.687,06
Provisions			
Provisions for employee benefits		11.809.351,55	8.381.765,19
Total		11.809.351,55	8.381.765,19
Liabilities			
Current liabilities			
Trade payables	10.1.1	55.821.521,93	63.624.912,00
Income tax		2.004.506,90	0,00
Other taxes and duties		1.063.796,96	1.358.794,08
Social security organizations		1.414.466,72	1.439.778,59
Other payables	10.1.2	35.820.800,84	32.864.769,02
Accrued expenses		22.540.550,88	8.897.860,01
Total		118.665.644,23	108.186.113,70
Total liabilities		118.665.644,23	108.186.113,70
Total Equity, Provisions and Liabilities		187.699.116,16	171.368.565,95

STATEMENT OF INCOME by FUNCTION

	Note	31/12/2018	31/12/2017
Turnover (net)	17	95.519.441,23	117.193.575,70
Cost of sales		(40.336.774,73)	(55.833.573,63)
Gross profit/(loss)		55.182.666,50	61.360.002,07
Other operating income		339.194,95	158.444,43
		55.521.861,45	61.518.446,50
Administrative expenses		(7.679.417,72)	(18.976.380,37)
Distribution costs		(35.255.281,98)	(36.374.037,00)
Research & development costs		(9.782.619,90)	(6.736.016,06)
Impairment of assets (net amount)	11	(466.363,27)	1.271.294,37
Gains & losses on disposal of non-current assets		0,00	29.799,98
Income from participating interests and investments		1.654.897,16	1.262.809,43
Other expenses and losses	11	(2.610.749,46)	(1.396.479,61)
Other income and gains	11	4.742.221,59	163.383,95
Earnings/(loss) before interest and tax (EBIT)		6.124.547,87	762.821,19
Interest expense and similar charges		(55.542,56)	(34.941,32)
Profit/(loss) before income tax		6.069.005,31	727.879,87
Income tax expense		(1.785.483,82)	(14.834,49)
Profit/(loss) for the period net of tax		4.283.521,49	713.045,38

STATEMENT OF CHANGES IN EQUITY

Note	Capital	Statutory reserve	Tax-free reserves	Retained earnings	Total equity
Balance at 1 January 2017	46.189.410,00	4.708.677,73	3.735.231,97	4.329.247,58	58.962.567,28
Increase/(decrease) in the period	0,00	0,00	0,00	(579.310,47)	(579.310,47)
Internal transfers	0,00	0,00	(1.655.172,76)	1.655.172,76	0,00
Distribution to parties	0,00	0,00	0,00	(4.295.615,13)	(4.295.615,13)
Profit/(loss) for the period	0,00	26.292,08	0,00	686.753,30	713.045,38
Total change in equity for the period	0,00	26.292,08	(1.655.172,76)	(2.532.999,54)	(4.161.880,22)
Balance equity at 31 December 2017	46.189.410,00	4.734.969,81	2.080.059,21	1.796.248,04	54.800.687,06
Balance at 1 January 2018	46.189.410,00	4.734.969,81	2.080.059,21	1.796.248,04	54.800.687,06
Increase/(decrease) in the period	0,00	211.064,07	0,00	(211.064,07)	0,00
Internal transfers	0,00	0,00	0,00	(63.840,13)	(63.840,13)
Distribution to parties	0,00	0,00	0,00	(1.796.248,04)	(1.796.248,04)
Profit/(loss) for the period	0,00	0,00	0,00	4.283.521,49	4.283.521,49
Total change in equity for the period	0,00	211.064,07	0,00	2.212.369,25	2.423.433,32
Balance equity at 31 December 2018	46.189.410,00	4.946.033,88	2.080.059,21	4.008.617,29	57.224.120,38

STATEMENT OF CASH FLOWS (Indirect Method)

	31/12/2018	31/12/2017
<u>Cash flows from operating activities</u>		
Profit before taxes	6.069.005,31	727.879,87
Plus/Less adjustments for:		
Depreciation and impairment of tangible and intangible assets	2.728.161,70	2.209.017,49
Provisions	3.467.474,78	342.049,22
Profit and losses from disposal of assets	0,00	-29.786,72
Profit and losses from measurement of assets	426.474,85	-1.271.294,37
Interest expense/income (net amount)	-1.599.354,60	-1.227.868,11
Operating profit before adjustments of working capital	11.091.762,04	749.997,38
Plus/Less adjustments of working capital to net cash or related to operating activities:		
Decrease/(increase) of inventories	2.613.204,20	-2.765.267,97
Decrease/(increase) of receivables	-1.507.379,42	2.690.588,27
Increase/(decrease) of payables	8.630.206,58	15.035.361,33
Less:		
Interest expense/income paid/received	-55.542,56	-34.941,32
Income tax paid	0,00	-822.009,04
Net cash flows from operating activities (a)	20.772.250,84	14.853.728,65
<u>Cash flows from investing activities</u>		
Payments (proceeds) for acquisition (sale) of fixed assets	-2.634.778,38	-3.301.911,35
Payments (proceeds) for acquisition (sale) of non-financial assets	505.429,23	-7.598.152,20
Granted loans (net)	0,00	0,00
Interest received	1.654.897,16	1.262.809,43
Dividends received	0,00	0,00
Net cash used in investing activities (b)	-474.451,99	-9.637.254,12
<u>Cash flows from financing activities</u>		
Proceeds (payments) from increase/(decrease) of capital	0,00	0,00
Proceeds/(repayments) from/(of) loans	0,00	0,00
Dividends paid	-1.796.248,04	-4.295.615,13
Net cash used in financing activities (c)	-1.796.248,04	-4.295.615,13
Net increase/(decrease) in cash and cash equivalents (a) + (b) + (c)	18.501.550,81	920.859,40
Cash and cash equivalents at beginning of the period	60.861.815,67	59.940.956,27
Cash and cash equivalents at end of the period	79.363.366,48	60.861.815,67

Pikermi, 26 July 2019

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
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