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*This document is a translation of the original text in Bulgarian,
in case of divergence the Bulgarian original is prevailing.*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sopharma AD

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Sopharma AD ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An independent member of Baker Tilly International

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Registered in Bulgaria (ID – 131 349 346). List of directors can be found at the Group's Registered Office.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>1) Recoverable amount of goodwill and specific intangible assets recognized in business combinations</p> <p>As at 31 December 2017 the Group reports in the consolidated statement of financial position intangible assets, including goodwill, for the amount of BGN 86,596 thousand (Note 17). The total amount includes goodwill of BGN 23,147 thousand and specific intangible assets of the newly acquired subsidiaries of BGN 31,315 thousand.</p> <p>The following characteristics are observed with regard to part of these subsidiaries: specific and problematic economic environment in the countries, where the subsidiaries operate; and/or unutilized capacity and incurred losses. These circumstances presume that certain risk exists as to the correct valuation of goodwill and specific intangible assets recognized in business combinations of these subsidiaries as at the end of the reporting period.</p> <p>The review and the tests of the Group's management for indicators of and necessity in impairment of the goodwill and the specific intangible assets of these subsidiaries is a complex procedure, through which are considered forecasts of the Group regarding future estimated benefits and profitability, expected to be received for the Group. In its calculations the Group management needs to apply significant assumptions, various judgments and estimates, while with regard to measuring their recoverable amount it uses the method of discounted future cash flows.</p> <p>Due to the circumstances that (a) the process of estimating and testing of possible impairment losses of the goodwill and the</p>	<p>In this area our audit procedures performed are:</p> <ul style="list-style-type: none"> • Analysis and assessment of the relevance of Group's budget and projections as at 31 December 2017; • Examination of the calculations and the results from the test for impairment of the respective goodwill and specific intangible assets made by the Group's management with the assistance of independent external appraisers; • Analyses and assessment of the appropriateness of the key judgments, the existing conditions and the assumptions, used by the Group's management, on the continuing capability of the recognized specific intangible assets to generate future cash flows; • Analyses and assessment of the appropriateness of the key judgments and assumptions, used by the Group's management, including the discount rate used in the application of the discounted cash flows model; • Assessment and testing the completeness, appropriateness and adequacy of the disclosures in the Group's consolidated financial statements with regard to the measurement of goodwill and the specific intangible assets in subsidiaries.

Key audit matter	How our audit addressed the key audit matter
<p>specific intangible assets of these subsidiaries assumes a number of judgments, higher degree of subjectivity and uncertainty related to the projection assumptions, including revenue projections, cash flow projections and growth rate, the level of uncertainty, including due to the fact that part of the subsidiaries are abroad and operate in specific economic conditions; and (b) the significance of the reporting item itself for the consolidated financial statements, as disclosed above, we have determined this matter as a key audit matter.</p>	
<p>2) Trade receivables measurement</p> <p>As at 31 December 2017 the Group reports in the consolidated statement of financial position trade receivables at the amount of BGN 231,278 thousand (Note 24). The total amount of trade receivables includes past due trade receivables from a particular type of clients, totalling BGN 78,279 thousand with indicators for problems with their timely and full collection.</p> <p>When calculating the impairment of receivables from these clients, significant judgments are used with regard to the future collectability of the amounts by analyzing and assessing the return on respective subsidiary and Group's overall exposure to respective client. For the purposes of calculation the impairment amount, the Group uses the method of discounted future cash flows. The latter are determined by the management of the Group by taking into account a number of factors, specific for the particular counterpart: past experience with this counterpart, client's historical behavior, concluded settlement agreements, initiated court proceedings, payment of penalties and interest for delay, expected purchases and future arrangements, appropriate discount rate, etc.</p> <p>Due to the circumstances that (a) the process of estimating the impairment losses on trade receivables assumes a number of judgments, higher degree of subjectivity in the projection</p>	<p>In this area our audit procedures performed are:</p> <ul style="list-style-type: none"> • Inquiries and inspection of documents and accounting ledgers with data about the agreements and historical turnovers and payments with the respective client; • Analyses of the age structure of trade receivables and the reasons for delays and difficulties with payments; • Analysis of accrued and paid interest for delays and penalties for overdue amounts; • Inspection of documents for facts and circumstances related to the collectability of receivables and the counterpart's abilities for generating cash flows; • Analyses of actually received cash-flows and matched to expected and/or projected receipts, including interest and penalties for delay; • Obtaining and analysis of the letter from the lawyers of the respective subsidiary from the Group' regarding the status of court and awarded receivables and the clients' capacities for their settlement; • Assessment and testing the completeness, appropriateness and adequacy of the disclosures in Group's

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
assumptions and specific calculations of the impairment amount by the respective subsidiary and Group's management; (b) the significance of the reporting item itself for the Group's consolidated financial statement, as noted above, we have determined this matter as a key audit matter.	consolidated financial statements with regard to the trade receivables measurement.

Other matters

The consolidated financial statements of Sopharma AD for the year ended 31 December 2016 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 27 April 2017.

Information Other than the consolidated financial statements and Auditors' Report Thereon

The Management Board of the Group ("the Management") is responsible for the other information. The other information comprises of the annual report on activities, the non-financial declaration, and the corporate governance statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditors' report thereon, which we received prior to the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, 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 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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Group (“Those charged with governance”) are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the 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 auditors’ 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 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, we exercise professional judgment 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 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 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 auditors’ report to the related disclosures in the 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 auditors’ report. However, future events or conditions may cause 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.\
- Receive adequate and relevant audit evidence regarding the financial information of the companies part of the Group in order to express an opinion on the consolidated financial statements. We bear responsibility for the instruction, supervision and execution of the audit of the consolidated financial statements. We bear the ultimate responsibility for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the consolidated financial statements and Auditors' Report Thereon", with respect to the annual report on activities, the corporate governance statement and the non-financial declaration, we have also performed the procedures required by the Guidelines related to new extended audit reports and communication from the auditors of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants. These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 8, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the consolidated financial statements have been prepared, is consistent with the consolidated financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the consolidated financial statements have been prepared.
- The non-financial Declaration, covering the financial year for which the consolidated financial statements have been prepared, has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Group and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional Reporting on the audit of the consolidated financial statements under Art. 100m, para 4, p.3 b) "b" of the Public Offering of Securities Act**Reporting under Art. 100m, para 4, p.3 b) "b" of the Public Offering of Securities Act**

The information on transactions with related parties is disclosed in Note 43 to the consolidated financial statements. Based on the audit procedures performed on the transactions with related parties, we have not identified any facts or other information, based on which we could conclude that the transactions with related parties are not disclosed in the attached financial statements, in all material aspects, in accordance with the requirements of IAS 24 Disclosure of related parties. The results of our audit procedures regarding transactions with related parties are considered in the context of forming our audit report on the consolidated financial statements taken as a whole, and not with the purpose of expressing the audit opinion on transactions with related parties.

Reporting under Art. 100m, para 4, p.3 b) "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the section Auditors' Responsibilities for the Audit of the consolidated financial statements include assessment whether the consolidated financial statements presents true and fair view of material transactions and events. Based on the audit procedures performed on the material transactions, underlying the consolidated financial statements for the year ended 31 December 2017, no facts circumstances or other information have come to our attention, based on which we can conclude that there are cases of material misstatements and disclosures in the consolidated financial statements in accordance with the requirements of IFRS, adopted by EU. The results of our audit procedures on the material transactions and events related to the Group are considered in the context of forming our audit report on the consolidated financial statements taken as a whole, and not with the purpose of expressing the audit opinion on these material transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Baker Tilly Klitou and Partners OOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended December 31, 2017 by the general meeting of shareholders held on June 2nd, 2017 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2017 represents first statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- No prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.
- We hereby confirm that for 2017 we have not provided services to the Group other than the audit services.


Krassimira Radeva
Registered Auditor



Managing Director
Baker Tilly Klitou and Partners OOD

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April 27, 2018