

1st Semester Report

Translation of the Company's 2021 1st Semester Report issued in the Romanian language

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Share capital 98.537.535 lei, fully subscribed and paid-up, RO341563, J40/199/5.02.1991
Account RO26 BRDE 441 SV 28095 174410 BRD Decebal Branch



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MANAGEMENT REPORT
BIOFARM SA for the 1st semester of 2021
Report according to: F.S.A. Regulation no. 5/2018 - Appendix 15

For the fiscal year: **2021**

Date of the report: **30.06.2021**

Name of the commercial company: **Biofarm S.A.**

Registered office: **Bucharest 3, 99 Logofătul Tăutu street**

Telephone/fax number: **021.301.06.21 / 021.301.06.24**

Unique registration code with the Trade Register Office: **RO 341563**

Order number with the Trade Register: **J40/199/1991** from **05.02.1991**

Regulated market on which the issued securities are traded: **BSE**

Subscribed and paid-up share capital: **lei 98,537,535**

The main characteristics of the securities issued by the commercial company:
dematerialised registered shares

1. Analysis of the Activity of the Commercial Company

Description of the basic activity of the commercial company:

BIOFARM SA has the registered office in Bucharest 3, 99 Logofătul Tăutu street, and has as the main activity object the production and marketing of medicinal products for human use, NACE code 2120 "Manufacture of pharmaceutical preparations".

Biofarm SA has the Certificate regarding the conformity with good manufacturing practice issued by the Ministry of Health – National Agency for Medicines and Medical Devices of Romania for:

- ✓ non-sterile products – softgel capsules, liquids for external use, liquids for internal use, tablets, other solid dosage forms: sugar-coated tablets, film-coated tablets;
- ✓ herbal products;
- ✓ tests for quality control (microbiological - without the sterility and physico-chemical tests).

The quality management system from the company is certified in compliance with the requirements of the ISO 9001 standard and of the Guide on good manufacturing practice (GMP) for all the production lines. Recertification from the point of view of the Good Manufacturing Practice Guide was carried out in February 2020. In June, the new manufacturing site from Bucharest 3, 202-232 Drumul Gura Badicului stree, was inspected by NAMMDR (*National Agency for Medicines and Medical Devices of Romania*) for the purpose of obtaining the certificate according to the Good manufacturing practice guide (GMP) for this site.

At the same time, since 2013, Biofarm company is certified for the environmental management system pursuant to ISO 14001.



The subscribed share capital of the company on 30 June 2021 was of lei 98,537,535, the nominal value of a share being of lei 0.1/share.

The shareholding structure on 30.06.2021 was the following:

| Shareholder | Shares | Percentage |
|---------------------------------|--------------------|-----------------|
| S.I.F. MUNTENIA, BUCHAREST | 508,231,323 | 51.5774 |
| S.I.F. BANAT-CRISANA S.A., ARAD | 362,096,587 | 36.7470 |
| Natural persons | 97,717,444 | 9.9168 |
| Legal persons | 17,329,996 | 1.7588 |
| Total | 985,375,350 | 100.0000 |

Specification of the date of establishment of the commercial company;

BIOFARM S.A. was established by the G.D. no. 1224 of 23.11.1990.

Description of any significant merger or reorganisation of the commercial company, of its subsidiaries or controlled companies, during the fiscal year;

On 30.06.2021, the company has the following working points:

- Bucharest 1, 42-44 Iancu de Hunedoara avenue, tax identification number 14008268
- Bucharest 3, 202-232 Drumul Gura Badicului street, end products distribution warehouse, tax identification number 30037915

1.1. Elements of General Assessment:

Market share held:

Biofarm is one of the most important manufacturers of drugs and food supplements of Romania.

Biofarm has been present on the Romanian market for 100 years and maintains its motivation to increase the quality of people's lives, being a company always oriented towards innovation and facilitating access to modern treatment solutions.

The experience gained over the years has taught Biofarm a lot of things: responsibility, performance, innovation, care and, above all, the fact that these values only make sense if they are put at the service of people. For this reason, Biofarm is working day by day, hour by hour, for people, for their health and well-being.

Biofarm is the most important Romanian manufacturer of softgel capsules, between the first 3 Romanian manufacturers of solutions and suspensions for oral administration and one of the largest manufacturers of tablets and sugar-coated tablets in Romania. In order to maintain this position and to succeed in progressing, the company is certified and recertified periodically at the highest international standard for all systems, production lines and any other aspect regarding its promise – the best quality of the products.

Biofarm has over 200 products in its portfolio and covers over 60 therapeutic areas. On 9 of the 60 therapeutic areas, Biofarm is a market leader, a record that honours the company and forces it to do more.



In the first semester of 2021, Biofarm S.A. continued to consolidate its market share in the Consumer Healthcare (CHC) segment, thus, Biofarm S.A. concluded the first semester of 2021 on the 3rd place in top companies in the local pharmaceutical industry, in relation to the purchase price of pharmacies.

Also, no less than 7 brands in the digestive & metabolism, cold & flu and food supplements categories have maintained their position as market leaders in terms of units sold, and 5 of them ensured the consolidation of the leading position at value level in the CHC segment as well.

The results obtained by Biofarm S.A. in the first semester of 2021 is due to the sustained efforts of the company to maintain the investments at a competitive level throughout the first quarter of 2021, but also to constantly improve, at the level of effective image and communication, the brands in the portfolio.

The net revenues from sales realised in the first semester of 2021 were of lei 117,985,641, increasing by 14% as compared to the first semester of 2020.

The company's strategy is to continue the sustained growth both on the Romanian market, by consolidating the existing brands and by developing new brands, and on the foreign markets.

Analysed in their structure, the main operating expenses are presented as follows:

| Operating expenses | For the period ended as at | |
|-------------------------------|----------------------------|-------------------|
| | 30 June 21 | 30 June 20 |
| Raw materials and consumables | 18,409,538 | 20,203,487 |
| Personnel expenses | 20,497,016 | 18,570,614 |
| Amortisation | 6,833,844 | 5,390,322 |
| Other operating expenses | 29,840,474 | 25,962,243 |
| Total | 75,580,872 | 70,126,666 |

The net operating result on 30 June 2021 is increasing by approximately 21%, as compared to the similar period of last year, while the net profit of the company recorded an increase of approximately 22%.

Corporate tax in the first semester of 2021 is in the amount of lei 6,517,743, as compared to lei 5,487,318 recorded during the same period of 2020.

Liquidity and money available in the account

On 30 June 2021, the general liquidity rate was of 2.69, increasing as compared to the previous year, mainly due to the decrease of debts.

Cash accounts on 30 June 2021, according to the balance sheet, represent money deposited in current bank accounts or in deposit accounts with banks in Romania.

¹Pursuant to the Cegedim data related to the first six months of 2021.



1.2. Assessment of the Technical Level of the Commercial Company

Description of the main products realised and/or of the services provided, specifying:

a) the main outlets for each product or service and the distribution methods

The sales distribution of Biofarm SA products is mostly done in the retail segment, this segment representing 98% from the total of Biofarm sales both in terms of volume and in terms of value.

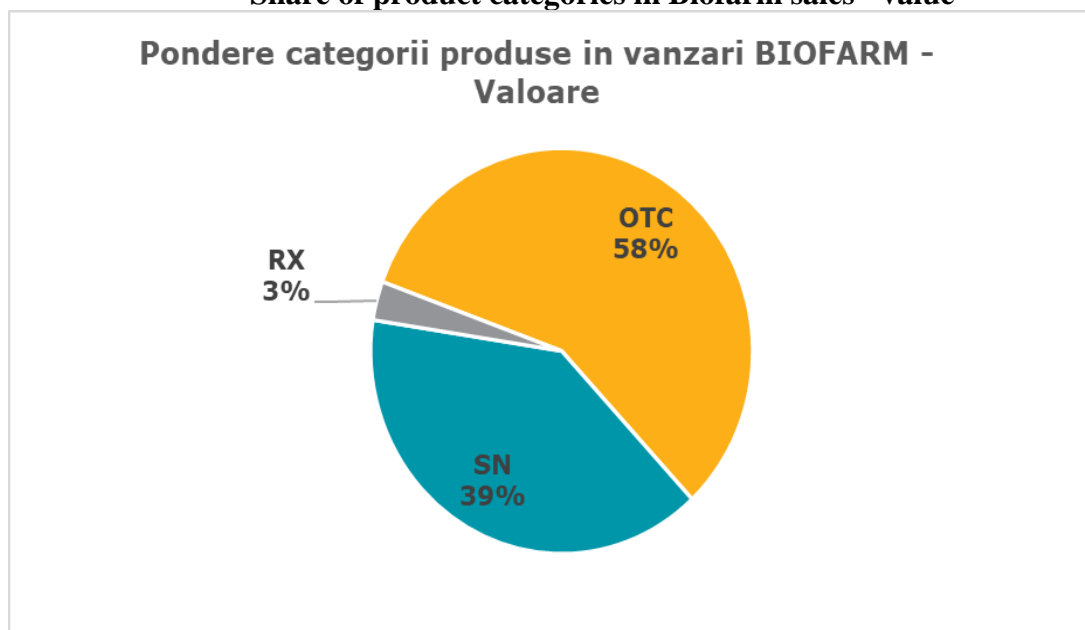
The extremely varied products portfolio held by BIOFARM company requires a complex approach from the point of view of the media strategy, promotion and distribution.

Thus, Biofarm SA owns a sales team specialised in the promotion of its own products in the most important pharmaceutical chains and a promotion team specialised in supporting visits to medical doctors through integrated marketing, media and commercial campaigns for the purpose of increasing the degree of recognition of the Biofarm product portfolio among specialists and consumers.

b) the share of each category of products or services in the revenues and in the total turnover of the commercial company

The share, in (RON), of the three categories of products manufactured by Biofarm SA (food supplements ("SN"), over-the-counter drugs ("OTC") and prescription drugs ("RX")) is the following: over-the-counter drugs (OTC) have a share of 58%, food supplements (SN) have a share of 39% from the company portfolio, and the share of prescription drugs (RX) is of 3%.

Share of product categories in Biofarm sales - value



c) the new products envisaged for which a substantial volume of assets will be allocated in the next fiscal year, as well as the stage of development of these products.

The main focus consists in supporting the star brands of Biofarm SA, as well as in the development of new products that meet the most diverse health needs.

Investments will take into account the development stage of each brand and the potential of the category in which it operates.

In the long-term, Biofarm company aims to expand the current portfolio by developing and manufacturing high quality standards for new products (drugs and food supplements), the acquisition of licenses from other manufacturers or by the conclusion of manufacturing contracts. The main objective of the company is to consolidate the position in the Romanian pharmaceutical market and in the foreign markets through the development of a competitive portfolio, based on the real needs of the market.

Biofarm wants to realise significant increases both on the markets it is currently operating in, and on the foreign markets.

1.3. Assessment of Technical-Material Supply Activity (Indigenous Sources, Import Sources)

The main objectives of the supply activity were:

- reduction of acquisition costs;
- avoiding the formation of stocks of raw materials and packaging materials, the orders being launched taking into account the duration of supply for each item, according to the company's stock policy;
- identification of new potential partners;
- compliance with the need for raw materials, materials and packaging for production with the concern of eliminating the creation of inactive inventory and slow activity inventory;
- re-analysis and renegotiation of contracts/commercial conditions provided by suppliers in the first semester of 2021;
- for the reduction of prices in some raw materials and materials;
- increasing the payment terms to the internal and external suppliers to obtain longer crediting periods.

During the first semester of 2021, Biofarm reassessed its main suppliers of raw materials and packaging to ensure the best possible added value for the company, a quality-price ratio, but also the optimal payment conditions for the company being obtained. Additionally, Biofarm identified a few new alternative manufacturers with which we will begin the collaboration after receiving the necessary approvals from the relevant authorities.

1.4. Assessment of the Sale Activity

a) Description of the evolution of sales sequentially on the internal and/or external market and of the medium- and long-term sales prospects

The turnover realised by Biofarm SA in the first semester of 2021 from the sale of end products and merchandise is in the amount of lei 117,985,641. This turnover is realised mainly from the sales of end products directly to pharmaceutical distributors (for the internal market) through the outlet point from Bucharest 3, 202-232 Drumul Gura Badicului street.



In the first semester of 2021, the share of export sales represented approximately 2.1% from the total net sales of Biofarm SA. The company's products were exported in 5 countries: the Republic of Moldova, Hungary, Russia, Ukraine and Azerbaijan.

b) Description of the competitive situation in the activity field of the commercial company, of the share on the market of products and services of the commercial company and its main competitors;

In the last period, the Romanian health system has been in a period of decline due to the new SARS-CoV-2 virus.

The COVID-19 pandemic was and remains a challenge for the pharmaceutical field, but not from the perspective of slowing down or ceasing the activity, but, on the contrary, from the perspective of activity continuation or improvement.

The diseases of Romanian patients remained the same during the pandemic and their treatments could not be postponed, therefore, companies operating in this industry have taken all steps to ensure that their activity is carried out without syncope.

Under these circumstances, the pharmaceutical market has a positive evolution, described by an increasing competition, massive investments in the media and market penetration by international OTC producers and food supplements.

The existing market context, Biofarm S.A. made sure that it has the necessary stocks of raw materials for the production flow to be carried out normally, part of the company employees carrying out their activity from home in order to keep social distance, and the employees involved in the manufacturing processes complied with the working hours adapted to the *de facto* situation and with the additional hygiene measures. Thus, we made sure that everything related to the manufacture is carried out under maximum safety conditions.

The care and respect for consumers and Biofarm SA team are values we believe in and every time we showed that these principles are confirmed by concrete facts.

For 2021, Biofarm SA aims to increase the market share, permanently streamline operational activity and strengthen the competitive advantage of the portfolio of products, in order to sustainably increase the profitability share.

c) Description of any significant dependency of the commercial company towards a single client or towards a group of clients whose loss would have a negative impact on the company's revenues

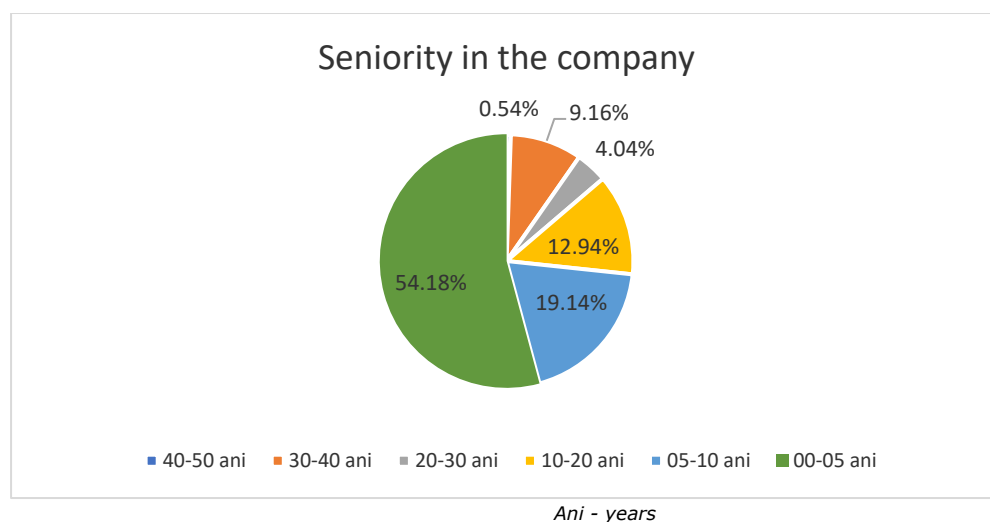
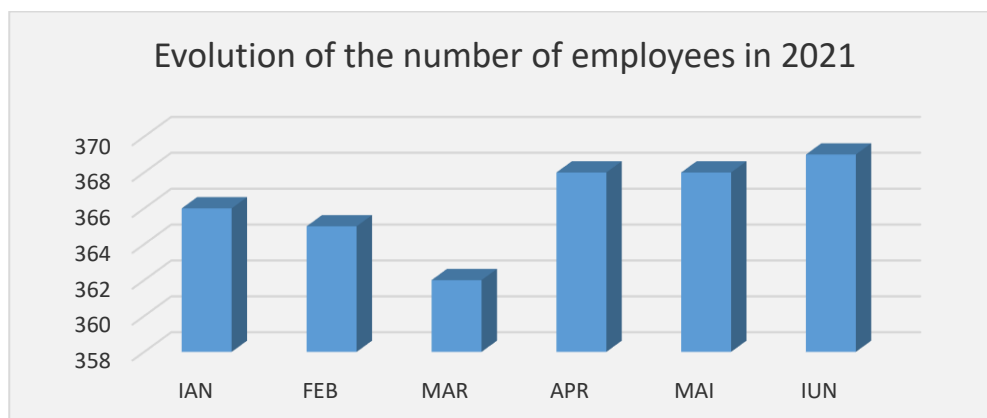
Biofarm SA company has concluded annual sales contracts with the main distributors on the pharmaceutical market, which have a good power to sell products in pharmacies.



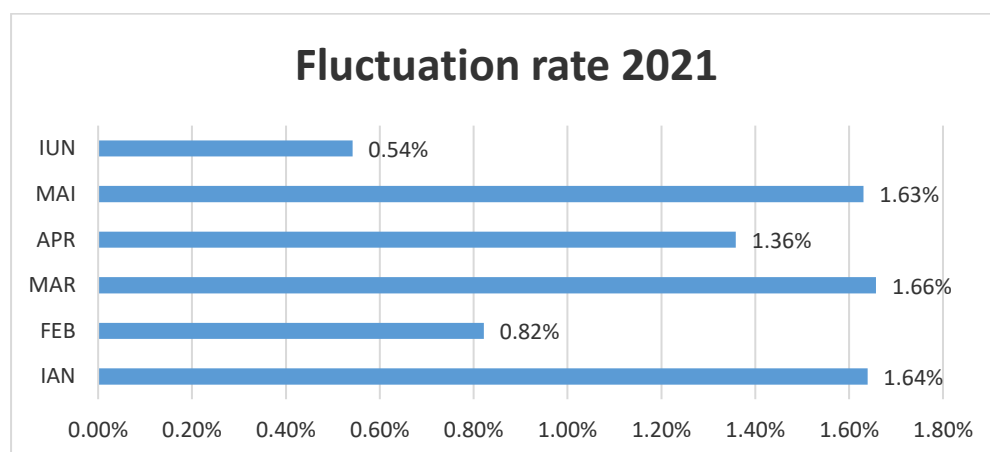
1.5. Assessment of the Aspects related to Employees/Personnel of the Commercial Company

General information

Personnel demographic indicators:



Fluctuation rate 2021:



Main directions of activity:**1. Recruitment and Selection**

The recruitment and selection process continues to be, throughout 2021, in line with the mission, vision and values of the company and has as its final purpose to obtain the results proposed and to increase the retention of employees. One of the objectives of the Human Resources department was to attract new employees that consolidate the organisational structure of the company.

The main challenge continues to remain the attraction of candidates with experience in the pharmaceutical market. In order to be able to face the new challenges, the Human Resources Department has at its disposal all the options available at this time on the market, the LinkedIn platform, the Ejobs, Best-Jobs, HiPo recruitment websites, personnel recruitment and leasing agencies, so as to reach as many candidates as possible.

The automation of HR processes represents a major objective for 2021 as well.

2. Training and Development

Training programs for 2021 are thought in the long term, aiming at the continuous education of employees and with an impact in their performance. The induction plan of new employees has the role of integration in the team and the company, but also of their retention in the long term, so that, in addition to the induction plan, the training and development programs come to improve the competencies and abilities of the company's employees so that they can perform and bring maximum results. As every year, the GMP, Risk Management, Pharmacovigilance, Data Protection and Competition trainings are a priority for the employees of Biofarm SA and shall be carried out according to the annual plans.

The training programs are ensured using both internal resources and specialized training and development companies.

3. Measures in the Context of SARS-CoV-2 (COVID-19)

In the context of establishing the state of emergency on the Romanian territory by Decree no. 195/2020, published in the Official Gazette of Romania, Part I, no. 212 of 16 March 2020, and of the evolution of the international epidemiological situation determined by the spread of the SARS-CoV-2 virus, Biofarm has gradually implemented, since the first moments of alert regarding the prevention of the spread of SARS-CoV-2 virus in Romania, a series of prevention and protection measures so as to minimize the risk of contamination of the personnel and to permanently ensure the essential operating and production activities. Thus, considering the information and the recommendations sent by the competent authorities of the state, Biofarm adopted measures for the safety of employees, but also to reduce the risks of discontinuity of drug manufacturing and delivery operations as follows:

- setting up, at company level, a team to permanently monitor the situation related to the evolution of the SARS-CoV-2 virus at national level;
- permanent communication of information through which employees are guided on how to act to prevent SARS-CoV-2 infection;
- displaying in a visible place the information regarding the protection and prevention procedures;
- organising the work at home activity (telework) for the employees whose activity allows this and their training regarding the professional risks for office activities carried out in a work-at-home regime (telework);



- daily monitoring at the entrance to the company by scanning the temperature with digital thermometers of each employee and of each person requesting access to the premises and by filling-in an affidavit, in order to detect people at risk of being infected;
- allocation of protection kits (masks, gloves, visors, disinfectant) to all employees of the company, both for carrying out their activity within the company and for moving between home and work;
- installation of dispensers with disinfectant and mats with disinfectants at all entrances;
- strict monitoring of personnel travels to assess the risk of contamination and the impact on the teams within the company;
- supplementing the medical services in the company in order to ensure the triage medical evaluations for the employees, but also for the contractors and visitors who provide various services, and which could represent a possible risk of infection;
- establishing strict access and equipment rules for visitors, contractors including allocation of protective equipment, as appropriate;
- suspension of all non-essential services performed by contractors in the company;
- limiting the flow of packages received by employees at the Company office by online deliveries to limit the contact of employees with the personnel providing the deliveries;
- increasing the frequency of periodic disinfection of common areas (halls, dining rooms, locker rooms, toilets) and contact points (railings, doors, handles, taps, etc.), using nebulization disinfection methods;
- limiting the contact between employees who come to the workplace and encouraging the use of the online work environment (telephone, email, videoconferences) so as to maintain the recommended social distance (1.5 meters);
- implementing rules to avoid personnel overcrowding by limiting the use of common spaces, shifting the work schedule and separating personnel flows (dining rooms, locker rooms, smoking area etc.);
- organizing the transport of employees to and from the workplace so as to be done in a private regime, with the Company's own means of transport or employees' personal means of transport;
- limiting travel in work interest both in the country and abroad;
- implementation of measures for the optimal management of raw material procurement and stocks management.

The Biofarm Management Team constantly monitors the situation and continues to implement all the necessary steps for the protection and safety of employees, as well as for business continuity under optimal conditions, complying with the recommendations submitted by the authorities and taking into account the evolution of the Coronavirus pandemic.

4. Future Directions of Action

The Human Resources Department remains a strategic partner for the company, which contributes to the realisation of organizational objectives and to the increase of employees' performances by permanently improving processes and human resources processes and by adapting to the trends of business environment.

In order to have performance, it is necessary to retain key employees and, at the same time, attract candidates that resonate with the company values, and which can easily



adapt to its organizational culture. Learning programs occupy an important place in 2021, contributing to the development and performance of employees.

It is important to remain a desired employer, therefore, we focus on a healthy organizational culture that attracts talented candidates and eager to work in our company. We will organize meetings with high schools and specialised faculties to attract pupils and students interested in the practice, who subsequently want to work with us, as well as other projects of interest for the employees and the company.

In the context of increased competitiveness on the labour market and mobility of labour force, a brand of powerful employer represents the key to keep and attract the best specialists.

We maintain and improve SARS-CoV-2 virus prevention measures at the company level.

5. Aspects regarding Occupational Safety and Health

The organizational health and safety management activities performed allowed the continuous monitoring of the performances of the occupational health and safety system and the performance of the necessary corrections.

18001 certification – Organisational Health and Safety emphasizes the fulfilment of the essential requirements of the system, the involvement of the top management in system operation and improvement, PPE quality, involvement of the system manager and of the head of the Occupational Health and Safety Department (OHS), to the improvement of own OHS instructions, lack of work accidents of occupational and work-related diseases, as well as the lack of legal sanctions.

Information and Training of Workers:

- Permanent provision of OSH and ES introductory-general training activity at the workplace and periodically for all employees, according to the legal provisions (OSH - Law 319/2006 on occupational safety and health, Methodological norms for law enforcement);
- The introductory-general training and testing of new employees was performed, according to the legal provisions;
- Regular training is continued for both employees and collaborators;
- The training of the persons designated with first aid at the workplace was carried out.

Microclimate:

- There was a constant concern to ensure the legal conditions of microclimate, the speed of air currents, the noise level generated by the air conditioning system;
- We maintain control of the microclimate through information measures;

Internal Inspections:

- Internal inspections were carried out at the workplaces and the necessary organizational steps were taken to eliminate (reduce) the risks of occupational injury or illness;
- Periodic checks were performed on the electrical installation;
- The documentation for specific risks was reassessed.

Occupational Medicine Coordination

- The collaboration with the specialized medical services for the implementation of the medical supervision program upon employment and, periodically, for the entire personnel, was continued;



- The monitoring of the health and work capacity of employees was maintained, with a preventive and corrective purpose, by the performance of periodic analyses;
- Specialized monitoring was performed for the mentions in the skills assessment reports.

1.6. Assessment of the Aspects related to the Impact of the Basic Activity of the Issuer on the Environment

In the first six months of 2021, the organisation's continued interest and concern were maintained for environmental protection activities, to minimize the impact on environmental factors, which allows the management to identify and control the impact of all the activities, products or services provided.

Within the development of the new manufacturing capacities, only those responsible development steps were promoted, which allow monitoring and control of the impact of the activity on environmental factors.

The steps to control the impact on environmental factors also continued by assuming the impact through payment to the Environmental Fund Administration (constituted according to the European principles "polluter pays" and "manufacturer's responsibility", in order to implement the environmental protection legislation, harmonized with the provisions of the Community acquis), of the legal obligations regarding emissions, packaging placed on the market, waste recovery, including the management of environmentally hazardous substances.

During the 1st semester of 2021, the company had no external complaints.

During the first six months of 2021, the steps taken to reduce and comply with environmental requirements made possible the absence of any sanctions, penalties, environmental surcharges, as well as the maintenance of the positive image of the company, as a company actively involved in environmental protection.

A. Renewal, Update and Maintenance of Related Documents:

Biofarm has periodically obtained the renewal of related documents such as: Water Management Authorization, Takeover Agreement on the conditions and obligations regarding the quality of water discharged in the public sewerage, Agreement for the collection of wastewater for the working point of Bucharest 3, 202-232 Drumul Gura Bădicului street.

The plan for the prevention of accidental pollution was drawn up for those emergencies in which discharges of substances/materials into the water are possible, and its provisions involve measures that limit the possible harmful effects on the environment.

During the first semester of 2021, the contract of transfer of responsibility for the recovery of packaging (packaging waste) was maintained to minimize the environmental impact by the recovery from the market of packaging waste, according to the requirements of the legislation in force.

Additionally, Biofarm team drafted and submitted Monthly statements to the Environmental Fund Administration and the contract to monitor the environmental factors with a third party, independent and accredited company was maintained.



B. Meeting the Imposed Monitoring:

In the first six months of 2021, the environmental impact monitoring requirements for all the environmental factors have been complied with (emission measurement in: air, water, noise), the results obtained demonstrating the classification of the level of all pollutants within the maximum limits allowed at the activity level from the work point in 99 Logofătul Tăutu street, and for the one from 202-232 Gura Bădicului street, monitoring was carried out only for the discharged wastewater (measure established by the takeover agreement). The environmental impact control monitoring was performed with a RENAR accredited laboratory.

C. Environmental Protection Measures, Equipment and Facilities:

At the work point of Bucharest, str. Logofătul Tăutu nr. 99, sector 1, the evacuation of powders is done only by installations for their retention, so that the maximum permissible concentrations provided by the regulations in force are complied with.

Evacuation of waste gases is done only by dispersion baskets, following the contents of waste gases, so that they do not exceed the limit values allowed by the norms in force.

The evacuation of technological wastewater was carried out through the wastewater treatment plant, so that its contents fall within the imposed limits.

The control and preventive maintenance works were carried out in all installations with a role in mitigating the emissions of pollutants in air and water (the elements of dry and wet filtration, but also at the treatment plant that serves the manufacturing lines.

The organizational and technological measures for a good operation continued with the maintenance of low energy and water consumption (monitoring of control and preventive maintenance, at the chiller type installation, treatment with water conditioning solutions introduced in steam boilers and cooling installations, technical inspection of the borehole and proposals for applying technical measures to adapt the operating costs).

The interest was maintained in what concerns the reduction of the use of hazardous chemicals in specific processes and promoting and developing the use of raw materials, materials, preparations from renewable (biological) or biodegradable resources.

In the first semester of 2021, the implementation of the provisions of Law 211 of 2011 on the waste regime, as further amended and supplemented, implicitly, of the "Waste Management" internal procedure, was continued.

All waste generated from the company activity were classified and codified according to the Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain directives, as further amended and supplemented, and selectively collected on categories and of the Commission Decision 2014/955/EU.

In order to comply with the legal requirement for the separate collection of paper, plastic waste, garbage bins were placed in offices for the separate collection of paper, plastic waste, apart from those existing in the inner yard of the company (containers on the dedicated colours: blue-paper, yellow-plastic, green-glass) and those existing on each production flow, auxiliary activity, respectively administrative.

The entire waste generated at the company level was temporarily stored in a warehouse with separate spaces for all categories of waste (recyclable, hazardous, non-hazardous waste, WEEE, infectious) and prepared in terms of final packaging for their handing over for recovery or for final disposal, to the authorized economic operators, based on the contracts concluded with them.



In 2021, we continued to selectively collect the main types of recyclable waste (paper, plastic, glass).

In order to comply with the requirements regarding the management of packaging waste corresponding to the quantity of end products introduced on the Romanian market, the transfer of responsibility contract was maintained.

The handling, storage and use of raw materials, solvents and fuels was carried out in such a way as to avoid any danger of environmental pollution, according to the provisions in the safety data sheets.

Investments for the completion of new manufacturing capacities continued in 2021 as well, including equipment to minimize losses, with energy efficiency and in line with the requirements of quality and safety in operation.

The management and maintenance of the fleet was carried out in accordance with the legal requirements (revisions and service planned through authorized units), the steps taken allowed the classification within the forecasted consumption, the lack of road events, as well as possible sanctions. The acquisition in the fleet of cars that correspond to the required, safe use performances and with emissions within the admitted limits continued.

A preventive attitude through periodic trainings, a preventive behaviour when traveling on public roads were promoted to reduce the risk of road events, but also to reduce fuel consumption and, implicitly, the level of emissions.

Vegetation was maintained on the area with the destination of green space, both from the headquarters and from the platform of Bucharest 3, 202-232 Drumul Gura Bădicului street. At this latter emplacement, pre-treatment plants contributed with a significant water flow to the necessary for watering the green spaces.

The part intended for internal traffic, including the paving with ecological tiles was maintained. Maintenance works of the sewerage network, of connections by their sanitation were performed according to the Regulations for the Maintenance and Operation of Water-Channel Networks.

The steps for commissioning new depollution plants for the new manufacturing emplacement continued. All steps, organisational and technological measures carried out have led to the maintenance of authorisations and afferent documents, to the avoidance of penalties, surcharges, fines in the first six months of 2021, but also in the absence of any emergency situations, the preservation of good neighbourhood and the positive image of the company.

1.7. Assessment of the Research and Development Activity

The portfolio of Biofarm SA comprises products from the following categories: drugs, food supplements, cosmetics and medical devices.

In the first semester, the activity of registration/de-registration of the products in the portfolio comprised a series of MA renewals for drugs, new Mas and reformulations in Romania, as follows:

- ✓ 1 new registration certificate for MS food supplements: Cavit Junior syrup for strengthening the bone system;
- ✓ 1 new MA: Devarilex 450mg/50 mg film-coated tablets.



In what concerns the EXPORT activity, the following were obtained:

- Reauthorisation in the Republic of Moldova: Vitamin D3 Biofarm 18,000 IU/ml, oral drops, solution;
- Reauthorisation in Lithuania - Eucamidin 1 mg/ml nasal spray, solution.

Currently, Biofarm company has a portfolio of 60 drugs, 3 medical devices, 50 food supplements under manufacture and 188 food supplements fully notified until now.

A number of 8 new drugs are waiting for the MA to be obtained.

1.8. Assessment of the Commercial Company Activity on Risk Management

The company is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

The general objective of the management is to establish policies that try to reduce the risk as much as possible without unduly affecting the competitiveness and flexibility of the Company. Further details on these policies are set out below:

Credit Risk

Credit risk is the risk of financial loss for the Company that appears if a client or a counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to the credit risk arising from sales to clients.

At the company level, there is a Commercial Policy approved by the Board of Directors. Within it, the sales commercial conditions are clearly presented and there are conditions imposed in the selection of clients.

Biofarm SA works only with distributors with national coverage in the pharmaceutical market. When selling for export, in all situations, where possible, sale with advance payment is contracted.

The debt collection period is in average of 110 days and is below the current pharmaceutical market level. Biofarm SA managed to permanently provide the necessary liquidity and solvency at high rates and will try to maintain the positive trend of the debt collection periods.

In 2021, to decrease the credit risk, Biofarm SA continued the assurance of the company's debts by the conclusion of an insurance policy.

Foreign Exchange Risk

Foreign exchange risk appears when the Company concludes transactions expressed in a currency other than its functional currency.

The company is mainly exposed to the currency risk at the purchases performed from suppliers of raw materials, packaging and other materials outside Romania. Suppliers from which the company purchases these items necessary for the production of drugs must hold quality documents, provided in the European rules for the registration of drugs and, thus, cannot limit the purchases from third party countries very much.



Monitoring the payment terms and ensuring cash availability for payment, so that the effect of the foreign exchange risk is minimised, are the responsibility of the Financial-Accounting Department.

Liquidity Risk

Liquidity risk arises from the management by Biofarm SA of the current assets and of the financing expenses and reimbursements of the principal amount for its credit instruments.

The policy of Biofarm SA is to ensure that it will always have enough cash that allows it to meet its obligations when they become due. To achieve this goal, it seeks to maintain sufficient cash balances to meet payment needs.

At the end of the first semester, the Company has enough liquid resources to honour its obligations in all the reasonable circumstances envisaged.

The company has no outstanding obligations to the state budget.

1.9. Elements of Perspective regarding the Activity of the Commercial Company

a) Presentation and analysis of trends, elements, events or uncertainty factors that affect or might affect the liquidity of the commercial company, as compared to the same period of the previous year.

Economic-financial indicators 30 June 2021:

| CAPITAL PROFITABILITY AND RETURN | 30 June 21 |
|---|-------------------|
| Efficiency of available capital | |
| Profit before interest and tax (A) | 42,103,378 |
| Available capital (B) | 307,720,891 |
| A/B | 13.68% |
| Equity efficiency | |
| Net profit (A) | 36,419,320 |
| Equity (B) | 307,100,003 |
| A/B | 11.86% |
| Operational profit rate | |
| Profit before interest and tax (A) | 42,103,378 |
| Operating income (B) | 117,684,250 |
| A/B | 35.78% |
| Net profit rate | |
| Net profit (A) | 36,419,320 |
| Total income (B) | 118,156,015 |
| A/B | 30.82% |
| Total assets rate | |
| Profit before interest and tax (A) | 42,103,378 |
| Total assets (B) | 393,023,023 |
| A/B | 10.71% |



SOLVENCY

| | 30 June 21 |
|---|-------------------|
| Debt rate | |
| Total obligations (A) | 85,923,020 |
| Total assets (B) | 393,023,023 |
| A/B | 21.86% |
| Rate of financial autonomy | |
| Equity (A) | 307,100,003 |
| Total assets less net current debts (B) | 307,720,891 |
| A/B | 99.80% |

LIQUIDITY AND WORKING CAPITAL

| | 30 June 21 |
|---|-------------------|
| General liquidity rate | |
| Current assets | 229,172,219 |
| Current obligations | 85,302,132 |
| (A/B) | 2.69 |
| Rapid liquidity rate | |
| Current assets | 229,172,219 |
| Inventories | 27,329,360 |
| Current obligations | 85,302,132 |
| (A-B)/C | 2.37 |
| Client collection period | |
| Trade receivables (A) | 72,339,632 |
| Net turnover (B) | 117,985,641 |
| (A/B)*180 days | 110 |
| Period of inventory immobilisation | |
| Inventories of end products and merchandise (A) | 44,449,221 |
| Net turnover (B) | 117,985,641 |
| (A/B)*180 days | 68 |
| Period of suppliers' payment | |
| Suppliers (A) | 25,018,026 |
| Material expenses and external expenses (B) | 57,417,512 |
| (A/B)*180 days | 78 |

b) Presentation and analysis of trends, elements, events or uncertainty factors that affect or might affect the liquidity of the commercial company, as compared to the same period of the previous year

On 30 June 2021, the situation of fixed assets held by Biofarm SA is presented as follows:

| TANGIBLE ASSETS | 30 June 2021 | 31 December 20 |
|--|---------------------|-----------------------|
| Lands and constructions | 67,260,372 | 68,963,750 |
| Technical installations and machines | 51,126,662 | 54,550,476 |
| Other installations, machinery and furniture | 1,104,428 | 1,118,143 |
| Tangible assets under execution | 26,379,027 | 18,118,425 |
| TOTAL | 145,870,489 | 142,750,794 |



In the first six months of 2021, the value of purchases of tangible assets was of lei 9,974,610.

The tangible assets under execution increased due to the contracting of production equipment necessary to increase the production capacity of Bucharest 3, 202-232 Drumul Gura Badicului street.

2. Tangible Assets of the Commercial Company

2.1.1. Specifying the location and characteristics of the main production capacities owned by the commercial company. Description and analysis of the degree of wear of the commercial company's properties.

The policy of Biofarm SA is to reassess the patrimony every 3 (three) years. The last reassessment was carried out on 31.12.2018, when the lands being in the company's patrimony were reassessed by Iprochim SA, an associate member of the National Association of Romanian Authorized Valuers (ANEVAR), having the certificate no. 183/1992.

The company's production activity continued to be carried out on the manufacturing flows, GMP (Good Manufacturing Practice) certificates, structured according to the pharmaceutical forms produced, namely:

- solid forms flows – tablets and coated tablets;
- softgel capsules flows;
- liquid flows;
- chewable tablets flows.

The quality of products is provided by the manufacture, in accordance with the GMP requirements, for all the company's drugs.

The quantifiable production objectives are oriented towards activity efficiency and costs optimization through:

- Realisation of the production plan;
- Classification within the allocated budget;
- Classification within the specific consumptions of utilities per unit per each manufacturing flow.

Also, in order to realise the production, specific consumptions of raw materials, primary and secondary packaging materials were established, which were monitored on each manufacturing flow and on each series of manufactured product. Consumption reduction is realised through work in campaigns and the use of the manufacturing equipment at its maximum capacity.

Moreover, the utilities consumption is monitored (electricity, drinking water, methane gas) by rationalizing the consumption in relation to the hours worked, tracking the repair and isolation works of the utility pipes.

In the first semester of 2021, the packaging of all drugs that are under the incidence of the EU regulation 2016/161 of the Commission of 02.10.2016 for completing the Directive 2001/83/EC of the European Parliament (prescription drugs) on the three packaging lines continued:

- Tablets/Softgel capsules
- Solutions
- Syrups.



Investment in the New Factory

In accordance with the general objectives of the company, in 2021, a series of investments necessary for company development was carried out, according to the approved investment budget.

In the first semester of 2021, based on the purchase contracts signed in 2020, the following equipment was partially paid for:

- ✓ Granulation – drying line (HBG granulator, HBDG dryer, with necessary auxiliaries);
- ✓ Coating machine (Sepion 350 coater with the respective auxiliaries);
- ✓ Gravitational feeding tablet machines;
- ✓ Blisters packaging line;
- ✓ Raw materials calibration mill;
- ✓ Solution preparation mixer and solution storage vessels and gelatin.
- ✓ Test equipment for laboratories within the Quality Control Department in the location of strada Drumul Gura Badicului nr. 202-232 during 2021.

The qualification process for the purchased equipment and systems was continued as well.

2.1.2. Specifying the potential problems related to the property right on the tangible assets of the commercial company.

On 30 June 2021, the company does not own a property title over the land in use from Bucharest 3, 99 Logofătul Tăutu street.

The land in use from 99 Logofătul Tăutu street is not included in the financial statements of Biofarm S.A. due to the fact that the documents attesting the property were not yet obtained, there being notifications on Law no. 10/2001.

In compliance with the provisions of the G.D. no. 834/1991 Art. 1, the company requested to obtain the certificate of attestation of the property right over the land, for the lands necessary for carrying out the activity, according to the activity object.

The value of the land for which a certificate of attestation of the property right will be obtained shall be established on the basis of the legal provisions. With the value of lands, the share capital of the company will be increased, and the shares will be owned by the state. The dilution effect will be taken into account when calculating the diluted earnings per share.

3. Market of Securities issued by the Commercial Company

Specification of the markets in Romania and in other countries that negotiate securities issued by the commercial company.

The securities issued by BIOFARM S.A. are traded on the main market, at the Bucharest Stock Exchange, Premium Category, BIO symbol.



Profit Distribution for 2020

On 31.12.2020, S.C. Biofarm SA recorded a net profit in the amount of lei 54,264,580, which was approved for distribution as follows:

| | | |
|------------------------|-----------------------|-------------|
| Dividends | 21,678,258 lei | 40% |
| Retained earnings | 32,586,322 lei | 60% |
| Net profit 2020 | 54,264,580 lei | 100% |

Description of any activities of the commercial company to purchase its own shares.

Following the increase of the share capital by incorporating the profit corresponding to 2006, a number of 8,126 shares remained, which could not be redistributed according to the allocation rate. These shares were allocated by the Depozitarul Central to the company. On 30.06.2021, Biofarm S.A. held 8.126 own shares.

If the commercial company has branches, the number and the nominal value of the shares issued by the parent company and owned by the branches shall be mentioned.

The company does not have active branches in the country or abroad.

If the commercial company issued bonds and/or other debt securities, the manner in which the commercial company pays its obligations towards holders of such securities shall be presented.

Biofarm S.A. did not issue in the 1st semester of 2021 any bonds or other debt securities.

4. Management of the Commercial Company

The structure of the Board of Directors was the following:

- The Board of Directors of BIOFARM S.A. during the period 01.01.2021 – 30.06.2021 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman
 - Cătălin Constantin VICOL – B.D. Member
 - Bogdan Alexandru DRĂGOI – B.D. Member
 - Rachid EL LAKIS – B.D. Member
 - Nicușor Marian BUICĂ – B.D. Member



| | |
|-----------------------------------|---|
| Surname/First Name | ANDREI HREBENCIUC |
| Date of birth | 27.06.1984 |
| Professional qualification | 2003 - 2007- Bucharest Academy of Economic Studies, "Faculty of General Economics" |
| | 2007 - 2011 - Doctor of Economy, Bucharest Academy of Economic Studies |
| | Oversight Training Program (2009) - CNVM & US Securities and Exchange Commission |
| Professional experience | 16 scientific articles in international databases as author and co-author |
| | 2008 - 2011 - Graduate Assistant - Bucharest Academy of Economic Studies |
| | 2010 - 2 published books – the prize of the General Association of Economists from Romania for the book "Iluzia. Erou si Antierou in crizele economice" |
| | 2012 – guest professor at the Stanford University - Hoover Institute |
| | 2012 - 2013 - Assistant Professor - Bucharest Academy of Economic Studies |
| | 2009 - present - Managing Partner - Private Future Consulting S.R.L. |
| | March 2013 - present - University Lecturer - Bucharest Academy of Economic Studies |

| | |
|--|---|
| Surname/First Name | VICOL CATALIN CONSTANTIN |
| Date of birth | 16.11.1974 |
| Professional qualification | 1997 – a graduate of the "AL. I. CUZA" University of Iași, Faculty of Economic Sciences, specialisation Company Management (Bachelor's Degree) |
| | 2000 – a graduate of the "AL. I. CUZA" University of Iași, Faculty of Economics and Business Management, specialisation Planning and Marketing Strategy (Master's Degree) |
| Professional experience | 1999 - 2003 - Brand Manager - Royal Brinkers Romania |
| | 2003 - 2008 - Marketing Manager- Walmark Romania |
| | 2008 - 2010 - General Manager- Walmark Romania |
| | 2010 - 2016 - Regional Director (RO, BG, HU, MD) & GM Romania- Walmark Romania |
| | *2011 - 2016 – Chairman of P.R.I.S.A. - "Patronatul Roman al Industriei Suplimentelor Alimentare din Romania" |
| | 2017-2018 - General Manager- Air Liquide VitalAire Romania |
| 2018 - present - General Manager- Biofarm S.A. | |



| | |
|-----------------------------------|---|
| Surname/First Name | BOGDAN ALEXANDRU DRĂGOI |
| Date of birth | 27.05.1980 |
| Professional qualification | University of Tufts, Fletcher, Boston, Massachusetts Specialisation in International Relations – graduated Magna cum Laudae Specialisation in Economics – graduated Magna cum Laude Member of the Golden Key Honour Society |
| Distinctions | National Order of the Star of Romania – Knight grade Sovereign Military Order of Malta – Order pro Merito Melitensi |
| Professional experience | 2002 – 2003 – Business analyst – Inquam Limited UK 2003 – 2004 - Associate – Inquam Limited UK 2004 – 2006 – Vice-president/Shareholder – FocusSat SA Romania April – September 2006 - Counsellor of the Minister – Ministry of European Integration 2006 – 2007 – State Secretary – Ministry of Public Finance 2007 – 2008 – General Manager, Economic Department – City Hall of Bucharest Municipality 2009 – 2012 – State Secretary – Ministry of Public Finance February 2012 – May 2012 - Minister – Ministry of Public Finance 2012 – 2014 - Presidential Counsellor – Presidential administration March 2015 – Present – Chairman of the Board of Directors of SIF Banat-Crișana, General Manager |



| | |
|---|---|
| Surname/First Name | BUICĂ NICUȘOR MARIAN |
| Date of birth | 16.02.1975 |
| Professional qualification | 1994 - 1997 - Politehnica University of Bucharest, Associate Degree in Engineering, Mechanical Profile, Materials and Defectoscopy Specialisation |
| | 1998 - 2003 - University of Craiova, Faculty of Economics, Bachelor of Economics, Economic profile, Banking Financial Management Specialisation |
| | 16-25.09.2005 - Bucharest Chamber of Commerce and Industry and Royal Trading House SRL, Professional Sales Management graduation certificate |
| | October 2003 - March 2005 - City University, State of Washington, USA, Master of Business Administration Graduation Certificate, EMBA |
| | October 2017 - November 2017 - CIT Irecson Centrul de Informare Tehnologica SRL Bucharest, Graduation Certificate, Innovation Manager |
| Professional experience | January 1998-September 2001 - Investment Broker - Active International SA |
| | October 2001 - March 2005 - Development Manager -Elpreco SA |
| | February 2004 - 2006- Internal Control - Active International SA |
| | March 2005 - December 2007 - Member of the Board of Directors - Chief Executive Officer - Elpreco S.A. |
| | 2007 - July 2009 - Leader (Deputy Manager) - Active International SA |
| | January 2008 - Mai 2009 - Sales Manager - Apolodor Com Impex |
| | July 2010 - June 2012 - Chairman of the Board of Directors, Dunapref SA |
| | June 2012 - November 2012 - Secretary of State Counselor, Ministry of Environment and Climate Change |
| | March 2013 - March 2014 - State Secretary, Ministry of Transport |
| | August 2014 - December 2014 - Delegate Minister Counsellor for the Budget, Ministry of Public Finance |
| | December 2014 - July 2015 - Member of the Board of Directors, Enel Energie Muntenia SA |
| | February 2015 - September 2015 - Member of the Board of Directors, CN „Loteria Română” SA |
| | October 2015 - April 2016 - State Secretary, Ministry of European Funds |
| | June 2016 - December 2016 - Member of the Board of Directors, Swiss Capital SA |
| | Mai 2017 - present - Member of the Board of Directors, Incertrans SA |
| | December 2016 - December 2017 - Member of the Board of Directors, SAI Muntenia Invest SA |
| | December 2017 - present - General Manager, SAI Muntenia Invest SA |
| September 2020 - present - Member of the Board of Directors, Biofarm SA | |



| | |
|-----------------------------------|--|
| Surname/First Name | RACHID EL LAKIS |
| Date of birth | 20.06.1996 |
| Professional qualification | 2014 - 2017 - University of East Anglia, UK – BSc Economics and Accounting |
| | 2017 - Business to Business seminars (B2B) |
| | 2019 - 2020 - Lancaster University, UK – MSc Finance |
| Professional experience | 2016 - Internship in the "Corporate Tax" department, Bucharest - KPMG |
| | 2017 - 2019 - Financial Analyst, Bucharest - SAI Muntenia Invest S.A. |
| | 2020 - present - Investment Analyst, Bucharest - SIF Banat Crişana S.A. |

** the data from the submitted CVs are in accordance with the latest information made available to the company by the members of the Board of Directors*

Any family agreement, understanding or relation between the respective director and another person due to whom the respective person was appointed a director.

This is not the case.

The contribution of directors and executive management to the commercial company's capital (figures in RON):

| | |
|-----------------------------------|-------|
| Andrei Hrebenciuc – B.D. Chairman | 5,000 |
|-----------------------------------|-------|

The affiliated parties with which the company carried out an activity are presented in Note 29 to the Financial Statements.



5. Financial – Accounting Statement

5.1. Assets, Liabilities and Equity Statement

| Description | -Lei- | |
|---|--------------------|-----------------------|
| | 30 June 21 | 31 December 20 |
| Fixed assets | 163,850,804 | 160,536,594 |
| Current assets | 229,172,219 | 211,839,520 |
| TOTAL ASSETS | 393,023,023 | 372,376,114 |
| Current debts | 85,302,132 | 80,203,695 |
| Long-term debts | 620,888 | 620,888 |
| TOTAL DEBTS | 85,923,020 | 80,824,583 |
| NET ASSETS | 307,100,003 | 291,551,531 |
| Share capital and reserves | 30 June 21 | 31 December 20 |
| Share capital | 98,537,535 | 98,537,535 |
| Own shares | (813) | (813) |
| Premiums related to the issuance/redemption of own shares | (173,154) | (173,154) |
| Revaluation reserves | 1,967,642 | 1,967,642 |
| Reserves | 23,350,438 | 23,350,438 |
| Retained earnings | 146,999,035 | 113,605,303 |
| Current result | 36,419,320 | 54,264,580 |
| Profit distribution | - | - |
| TOTAL CAPITALS | 307,100,003 | 291,551,531 |



5.2. Statement of Income and Expenses

| Description | -Lei - | |
|---------------------------------|---|--------------------------|
| | <i>For the period of 6 months concluded as at</i> | |
| | 30 June 21 | 30 June 20 |
| Income from sales | 117,985,641 | 103,441,224 |
| Other operating income | 707,089 | 65,277 |
| Changes in stocks | (1,008,480) | 1,461,274 |
| <i>Total operating expenses</i> | <u>(75,580,872)</u> | <u>(70,126,666)</u> |
| Operating profit/(loss) | 42,103,378 | 34,841,109 |
| Net financial income/(costs) | 471,765 | 781,314 |
| Profit before tax | 42,575,143 | 35,622,423 |
| Expenses with taxes | (6,155,823) | (5,803,160) |
| Profit | <u>36,419,320</u> | <u>29,819,263</u> |

5.3. Cash flow

| Description | For the period of 6 months concluded as at | |
|--------------------------------------|---|--------------------------|
| | 30 June 21 | 30 June 20 |
| Initial balance | 54,543,584 | 91,128,639 |
| Cash within the basic activity | 75,442,887 | 22,355,906 |
| Cash within the investments activity | (38,155,350) | (9,200,826) |
| Cash within the financing activity | (62,755) | (9,306,111) |
| Final balance | <u>91,768,366</u> | <u>94,977,608</u> |



6. Half-Yearly Report on Corporate Governance

The chapter of Corporate Governance from the Administrator's Report was drafted considering the applicable legislation such as the Regulation no. 5/2018 on issuers of financial instruments and market operations, Law no. 297/2004 on capital market, as further amended and supplemented, Law no. 24/2017 on issuers of financial instruments and market operations, as further amended and supplemented, the Companies Law no. 31/1990, republished, as further amended and supplemented etc.

The company elaborated a Corporate Governance Regulation which is posted on the company's website www.biofarm.ro in Corporate Governance/Relationship with Investors section – Regulations and Regulations of the advisory committees subsection. The purpose of adopting the Corporate Governance Regulation is to ensure transparency, the rights of shareholders and third parties, as well as company's credibility.

Biofarm S.A. shall permanently improve its Corporate Governance activity and shall seek to comply with all the applicable legal provisions in the future as well.

6.1. Structures of Corporate Governance

6.1.1. General Meetings of Shareholders

The General Meeting of Shareholders is the supreme decision-making body of the Company. General Meetings are: Ordinary and Extraordinary.

According to the Decision of the General Meeting of Shareholders no. 68/24.04.2012, the procedure for carrying out the General Meetings of Shareholders was approved. The procedure for carrying out the G.M.S. shall be amended or supplemented, if the case may be, with the legislative provisions in force on the date of each General Meeting of Shareholders. In case there are differences between the provisions of the procedure and the applicable legislation, the legislation in force shall be applied.

6.1.2. Board of Directors

The company is managed by a Board of Directors consisting of 5 members. From among the B.D. members, the B.D. Chairman is chosen. Directors shall be chosen by the Ordinary General Meeting of Shareholders for a period of 4 years and their mandate can be renewed for a period decided by the Ordinary General Meeting of Shareholders.

Directors can be revoked anytime by the decision of the Ordinary General Meeting of Shareholders.

The majority of members of the Board of Directors shall be formed of nonexecutive directors.

The Board of Directors has the following duties:

- a. to establish the main directions of activity and company's development;
- b. to establish the accounting and financial control system and to approve the financial planning;
- c. to appoint and revoke directors and to establish their remuneration and any other advantages; to establish the additional remuneration of the members of the Board



- of Directors charged with specific functions established by the General Meeting of Shareholders
- d. to prepare the annual report, to organise the general meeting of shareholders and to implement its decisions;
 - e. to introduce the request for opening the company's insolvency procedure, according to Law no. 85/2014 on the procedures for preventing insolvency and the procedures of insolvency;
 - f. to change the company activity object, except for the field and the main object of the company;
 - g. to establish or dissolve secondary offices: branches, agencies, offices or other such units with no legal personality;
 - h. to increase the share capital and to establish the procedure to be followed in compliance with the laws in force, under the limits established by the extraordinary general meeting of shareholders;
 - i. the documents for acquiring, transfer, exchange or constitution in guarantee of assets from the category of fixed assets of the company, the value of which exceeds, individually or together, during a financial year, 20% from the total of fixed assets, less receivables, shall be concluded by the administrators or directors of the company only after prior approval by the extraordinary general meeting of shareholders;
 - j. to elect the Chairman of the Board of Directors;
 - k. to organise its own control on the company;
 - l. to approve the contracting of banking loans with a value higher than EUR 750,000, but less than or equal to 20% from the total of fixed assets, less receivables;
 - m. to approve the organisational chart.

The members of the Board of Directors of BIOFARM S.A. are:

- The Board of Directors of BIOFARM S.A. during the period 01.01.2021 – 30.06.2021 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
 - Nicuşor Marian BUICĂ – B.D. Member, non-executive, non-independent

The Board of Directors was composed of 5 members, of which 4 non-executive members and one executive member:

- Andrei HREBENCIUC – elected for the first time in 2013 (by the GMS Decision no. 70/06.11.2013), re-elected for a consecutive mandate of 4 years in 2017;
- Bogdan Alexandru DRĂGOI – provisionally appointed by the Board of Directors in 2015 (by the BD Decision no. 167/10.12.2015) and confirmed in position in 2016 (by the GMS Decision no. 75/29.04.2016), re-elected for a consecutive mandate of 4 years in 2017;
- Cătălin Constantin VICOL – provisionally appointed by the Board of Directors in 2018 (by the BD Decision no. 209/ 06.12.2018), and confirmed in position in 2019 (by the GMS Decision no. 79/23.04.2019) for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation;
- Rachid EL LAKIS – elected in 2019 (by the GMS Decision no. 80/11.12.2019). for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation;



- Nicușor Marian BUICĂ – provisionally appointed by the Board of Directors in 2020 (by the GMS Decision no. 5/18.09.2020 starting from the same date), elected in 2021 (by the GMS Resolution no. 83/26.04.2021) for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation.

During the first semester of 2021, the Chairman of the Board of Directors of Biofarm S.A. **convened 4 times the members of the Board of Directors**. The members of the Board of Directors participated in meetings in person, by telephone or by e-mail, in compliance with the provisions of the Articles of Incorporation, as follows:

| Director | Number of meetings to which he attended | Number of meetings to which he was absent | Total number of meetings* |
|--------------------------|---|---|---------------------------|
| Andrei Hrebenciuc | 4 | - | 4 |
| Bogdan Alexandru Drăgoi | 4 | - | 4 |
| Cătălin Constantin Vicol | 4 | - | 4 |
| Rachid El Lakis | 4 | - | 4 |
| Nicușor Marian Buică | 4 | - | 4 |

* meetings to which they were convened during the mandate in the 1st semester of 2021

The following were presented, discussed and approved, as appropriate: the OGMS convening of balance sheet, financial statements, annual commercial policy, persons with a right of signature in the bank, being made the decisions necessary to carry out the company's activity.

On 30 June 2021, there is no Committee constituted (Audit, Nomination, Remuneration) at the level of the Board of Directors of Biofarm S.A..

Following the meetings of the Board of Directors, **1 decision** was issued, communicated to the departments that would bring it to fulfilment.

The Chairman of the Board of Directors has the following attributions:

- to convene the General Meeting of Shareholders upon proposal of the Board of Directors or upon request of shareholders owning individually or together at least 5% from the share capital;
- to lead the meetings of the Board of Directors and to lead the General Meetings;
- to coordinate the activity of the board and to report regarding this to the General Meeting of Shareholders;
- to supervise the proper functioning of company's bodies.

The General Manager has the following attributions:

- to represent the Company in relation with shareholders, third parties, the union and in court under the law and of this Articles of Incorporation;
- to employ and dismiss the personnel of the company;
- to establish the job descriptions and the salaries of all employees of the company;
- to propose the organisational chart of the company;
- to approve sanctions for the company personnel;
- to approve the allocation of premiums for the company personnel;
- he has the right of signature at the bank, he shall appoint or revoke the persons having this right, as well as the limits of this right;



- h. in the absence of a decision of the General Meeting of Shareholders, the General Manager may represent the company within the limit of an amount that represents maximum the equivalent in LEI of EUR 750,000, but no more than 20% from the total of fixed assets, less receivables for financial operations taken individually or cumulatively during a financial year;
- i. fulfils any other duties delegated by the Board of Directors;
- j. has the right to delegate the competence of representing the company in relations with third persons, with the union etc., the Executive Director, the Deputy General Manager and other persons from the company management, by decision.

The General Manager of the Company reports to the Board of Directors.

The General Manager is liable for exceeding its powers.

The General Manager can also be the Chairman of the Board of Directors.

The General Manager is liable for meeting the decisions of the Board of Directors and the business plan.

On 30 June 2021, **the company's management team** was provided by the following persons:

Cătălin Constantin VICOL - General Manager

The date from which he held the position within Biofarm S.A.: 15.11.2018

Catalin Vicol took over the management of Biofarm S.A. as the General Manager starting with 15.11.2018.

Catalin Vicol has been activating in the pharma market for over 15 years. He has managed the local branch of Walmark, between 2008 and 2016, and since 2010 he also occupied the position of Regional Manager in charge with Romania, Bulgaria, Hungary and Moldova. For two years, he was the General Manager of Air Liquide Vitalaire Romania, one of the largest companies on the market of respiratory medical services and of medical devices at domicile.

Catalin Vicol contributes to the development of Biofarm S.A. and to reaching the company's objectives by his skills proved over his career in the business strategy area, optimising processes and people's management.

Mihai ZOESCU – Chief Financial Officer

The date from which he held the position within Biofarm S.A.: 18.01.2021

Mihai Zoescu has in his subordination the Financial-Accounting, Human Resources, Controlling & Reporting, Legal and Investors Relationship, and IT Departments of Biofarm SA. In its role, Mihai has the responsibility to improve the financial and control environment within the company. Mihai Zoescu is involved in standardizing and improving financial and internal control processes to maximise the company's performances, to reduce risks and to ensure the compliance with the internal policies and procedures. He brings more than 17 years of experience of work in the following departments: financial audit, internal audit, internal control, assistance in transactions – mergers and purchases, investigations, management and financial consultancy in the KPMG company, where he was exposed to various business sectors: production of food supplements, pharma distribution and retail, medical services, media and advertising, agriculture or construction materials. He has a Master's Degree in Finance, Insurance, Banks and Stock Exchanges from the Bucharest University of Economic Studies, CAFR and ACCA certification.



Ioana GORĂNESCU - Marketing Manager

The date from which she held the position within Biofarm S.A.: 21.01.2019

Ioana manages the Marketing Department within Biofarm S.A., contributing to the development of Marketing and Communications strategies of renowned brands from the company portfolio, as well as to the identification of new market opportunities. The previous experience, of over 16 years helps her, together with the team she manages, achieve the growth objectives of the company. She has a Master's Degree in Marketing and Business Communication from the Bucharest University of Economic Studies and has a Bachelor's Degree in Social Economic Statistics.

Dragoș MOISE – Trade Manager

The date from which he held the position within Biofarm S.A.: 21.01.2019

Dragoș manages the Trade Department (Trade Marketing, Key Account & Distributors) within Biofarm S.A., developing the company's Trade and Sales strategies in what concerns the sales in Distributors and from Distributors to national chain pharmacies and independent pharmacies. His previous experience, of over 20 years in large multinational and local companies, with strong brands, market leaders in various segments such as Unilever, Scandia Food and Walmark Romania, helps him, together with the team he coordinates, to reach the company's growth objectives. Dragoș has a degree in Mechanical Engineering, graduated from Ovidius University in Constanta.

Dănuț IORGA – Field Force Manager

The date from which he held the position within Biofarm S.A.: 21.01.2019

Dănuț coordinates the sales and medical promotion teams within Biofarm S.A., teams whose objective is to reach the sales figures in pharmacies – the Sales team, respectively the market share targets for the brands in medical promotion - the Medical Promotion team. Holding a Bachelor of Engineering Degree from the TCM Faculty of Iasi, Dănuț built up a career in sales since the first years of activity, accumulating an experience of over 25 years, of which 22 years in management positions, an experience gained both in FMCG – 12 years – and in Pharma – 13 years – developing his area of expertise both in the sales area and in the medical promotion area.

Monica Claudia MATEI – Chief Accountant

The date from which she held the position within Biofarm S.A.: 09.05.2016

Claudia holds the position of Chief Accountant in the Financial-Accounting Department since 2016, and together with the team she coordinates, ensures that all financial-accounting activities of Biofarm S.A. are carried out both in accordance with the company's internal procedures and with the applicable tax regulations.

Claudia is a graduate of the Bucharest University of Economic Studies and a CECCAR member. Her experience, gained in the financial-accounting field in multinational companies from various fields of activity (food production, pharma distribution) since 2002, allows her to contribute to the company's performance.



Petruța STOICESCU – Manufacturing Manager

The date from which she held the position within Biofarm S.A.: 01.06.1998

Petruța Stoicescu began her career in Biofarm S.A. in 1990. Since 2008, she is the Head of the Production Department, and since 2012, she also deals with the coordination of the Purchasing Department. Petruța Stoicescu attended the classes of the Faculty of Chemical Technology within the Bucharest University, section Technology of Macromolecular Compounds.

Maria BOGDE - Human Resources Manager

The date from which she held the position within Biofarm S.A.: 02.04.2018

Maria leads the HR Department within Biofarm S.A. since April 2018, where, together with her team, contributes to the improvement of HR processes and policies, through the identification of new talents within the teams from the company, development of programs that help retain and motivate employees, but also other HR projects that help performance and development. Holding a Bachelor's Degree in Sociology - Psychology and a Master's Degree in Human Resources, Maria Bogde began her career in HR since 2006, working in different fields of business, the last 7 years before Biofarm being also in the Pharma field, within Prismus International.

Daniel CONSTANTIN – Manager of Legal and Investors Relationship Department

The date from which he held the position within Biofarm S.A.: 19.08.2019

Daniel Constantin coordinates the Legal and Investors Relationship Department of Biofarm S.A. since August 2019. He has a Bachelor's degree in Law and is a member of the Legal Advisers' College of Bucharest.

He has been working in the legal field since 2004, and since 2013 until now, in the pharma market, a period in which he was exposed to various situations, specific to this industry (especially in the: legal, compliance, data protection, competition, corporate affairs areas).

His role within the company is to coordinate the main areas of activity of the department (commercial, personal data protection, corporate governance, intellectual property), thus contributing to sustainability of Biofarm S.A. business.

Lucian BOGACIU – Administrative Manager

The date from which he held the position within Biofarm S.A.: 01.01.2020

Lucian Bogaciu took over the coordination of the Administrative Department of Biofarm S.A. in January of 2020.

Lucian graduated the Faculty of Civil, Industrial and Agricultural Buildings in Bucharest in 1996 and since then, he worked in the constructions field, coordinating activities of design, authorisation and execution of works.

Immediately after graduating, he was involved in the development of the Vodafone mobile phone network in Bucharest, coordinated for two years the activities of the branch in the Czech Republic and from 2000 to 2008, he worked as a Real Estate Project Manager within Orange Romania S.A..

As Administrative Manager within Biofarm S.A., Lucian has the mission to provide technical and administrative support for all the company departments, thus contributing to achieving the company's objectives.



Marcela GHERGHESCU – Quality Manager

The date from which she held the position within Biofarm S.A.: 15.10.2020

Marcela graduated in 1994 the Politehnica University, "Organic Chemical Engineering" Specialization, and in 2004, she graduated the Pharmacy Faculty as well, within the Carol Davila University. Being further focused on her professional development, she took a series of Courses and Certifications in the field.

Marcela returns to Biofarm, after 7 years, in the Quality Manager position and will coordinate the Quality Assurance and Quality Control Departments.

Throughout her career, she has accumulated over 25 years of experience in companies such as: Sandoz, Rompharm Company, Labormed, Ozone Laboratories, where she held, in turn, positions such as Quality Assurance Manager, Technology Transfer Manager, GMP Quality Assurance Manager. During the period 1995-2007, she was part of the Biofarm team, successfully occupying the positions of Production Manager, Head of Production and Liquid Forms Flow Manager.

The members of the executive management have skills and responsibilities according to the job description.

All persons who are part of the company's executive management are employed with continuous contracts of employment, except for the General Manager Catalin Constantin Vicol, and the Chief Financial Officer, Mihai Zoescu, who have concluded a mandate contract.

The affiliated parts with which the company carried out an activity are presented in Note 29 to the Financial Statements.

The number of shares held by the members of the executive management and of the Board of Directors of Biofarm S.A. on 30 June 2021 are presented in the following table:

| | |
|-----------------------------------|-------|
| Andrei Hrebenciuc – B.D. Chairman | 5,000 |
|-----------------------------------|-------|

The persons being part of the executive management, or the Board of Directors of the company were not involved in disputes or administrative procedures in relation with their activity within the issuer.

6.2. Rights of Shareholders

Shareholders shall participate in the profits and losses of the Company depending on the participation to the share capital. The shareholder has the right to dividends, proportionally with the shares held and calculated based on the net profit achieved.

The distribution of dividends and any other decisions on the allocation of the net profit shall be decided by the Ordinary General Meeting of Shareholders.

Shares are indivisible in relation with the Company which only recognises one owner for each share.

Shareholders are entitled to participate to the share capital increase. The share capital of the Company can be increased by the decision of the General Meeting of Shareholders or of the Board of Directors of the Company within the limits established by the General Meeting of Shareholders.

Increasing the share capital with contribution in cash is realised by the issuance of new shares that are offered for subscription:



- a. the owners of the preference right, belonging to the existent shareholders on the registration date who did not alienate them during their trading period, if necessary or which were acquired during their trading period. In order to cast the preference right, a period of 30 days from the publication of the decision to increase the share capital in the Official Gazette shall be granted.
- b. the investing public, given that the new shares were not fully subscribed during the period of exercising the preference right, if the issuer does not decide in the Extraordinary General Meeting of Shareholders their cancellation.

The Extraordinary General Meeting of Shareholders may decide the trading of preference rights under the law and the F.S.A. (former R.N.S.C.) regulations.

The increase of the share capital can be also done by other means provided by the law in compliance with the shareholders' rights.

Shareholders can request the following documents for information and for exercising control:

- a. published periodical and annual financial results;
- b. income and expenditure budget;
- c. current reports made by B.S.E./ F.S.A.;
- d. decisions of the Ordinary and Extraordinary General Meetings.

For the information of shareholders, there is information posted on the company's website in the << Corporative Governance/Investors Relationship>> section regarding:

- General information
- Financial calendar
- Current reports
- Communiqués
- Financial statements and presentations for investors
- General Meetings of Shareholders (convocations, GMS materials, GMS decisions, forms of special powers of attorney, forms of vote by mail, results of votes cast, draft resolutions etc.)
- Procedures of dividends distribution
- Coverage by analysts
- Updated Articles of Incorporation
- Policies
- Regulations and Regulations of advisory committees
- Declaration of conformity
- B.D. and executive management presentation
- Transactions of persons with management responsibilities and persons in close relationships
- Information note for shareholders regarding the protection of personal data
- BSE info
- Price of shares
- Frequent questions
- Contact persons for the relation with shareholders and their contact data

B.D. CHAIRMAN

Andrei Hrebenciuc



**INDIVIDUAL FINANCIAL STATEMENTS
for the period of six months concluded as at 30 June 2021**

Drafted in compliance with the Order of the Minister of Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards



STATEMENT OF COMPREHENSIVE INCOME
for the period of 6 months concluded as at 30 June 2021
(all the amounts are expressed in LEI, if not otherwise mentioned)

| Comprehensive Income Statement | NOTE | 30 June 21 | 30 June 20 |
|---------------------------------------|-------------|-------------------|-------------------|
| Sales income | 4 | 117,985,641 | 103,441,224 |
| Other operating income | | 707,089 | 65,277 |
| Changes in stocks | | (1,008,480) | 1,461,274 |
| Raw materials and consumables | 5 | (18,409,538) | (20,203,487) |
| Personnel expenses | 6 | (20,497,016) | (18,570,614) |
| Amortisation | | (6,833,844) | (5,390,322) |
| Other operating expenses | 7 | (29,840,474) | (25,962,243) |
| Operating profit/(loss) | | 42,103,378 | 34,841,109 |
| Net financial income/(costs) | 8 | 471,765 | 781,314 |
| Profit/(loss) before tax | | 42,575,143 | 35,622,423 |
| Corporate tax expenses | 9 | (6,155,823) | (5,803,160) |
| Profit / (Loss) | | 36,419,320 | 29,819,263 |

Explanatory notes numbered from 1 to 30 are an integral part of the financial statements,
Approved by the Board of Directors on 12 August 2021
and signed on its behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:

Claudia Matei
Chief Accountant

FINANCIAL POSITION STATEMENT

as at 30 June 2021

(all the amounts are expressed in LEI, if not otherwise mentioned)

Financial Position Statement

| Assets | NOTE | 30 June 21 | 31 December 20 |
|-------------------------------|-------------|--------------------|-----------------------|
| Tangible assets | 11 | 145,870,489 | 142,750,794 |
| Real estate assets | 12 | 11,507,054 | 11,507,054 |
| Intangible assets | 13 | 364,936 | 532,340 |
| Other fixed assets | | 9,095 | 9,095 |
| Deferred tax | 18 | 6,099,230 | 5,737,311 |
| Fixed assets | | 163,850,804 | 160,536,594 |
| Inventories | 14 | 27,329,360 | 33,883,106 |
| Trade receivables and similar | 15 | 81,074,493 | 102,412,830 |
| Other financial assets | 16 | 29,000,000 | 21,000,000 |
| Cash and cash equivalents | 16 | 91,768,366 | 54,543,584 |
| Current assets | | 229,172,219 | 211,839,520 |
| TOTAL ASSETS | | 393,023,023 | 372,376,114 |
| Debts | | | |
| Commercial debts and similar | 17 | 59,671,602 | 50,866,041 |
| Debts on corporate tax | | 1,270,257 | 1,288,658 |
| Contractual debts | 17 | 22,825,274 | 27,013,997 |
| Other provisions | 19 | 1,534,999 | 1,034,999 |
| Current debts | | 85,302,132 | 80,203,695 |
| Long-term debts | 19 | 620,888 | 620,888 |
| Long-term debts | | 620,888 | 620,888 |
| TOTAL DEBTS | | 85,923,020 | 80,824,583 |
| NET ASSETS | | 307,100,003 | 291,551,531 |

Explanatory notes numbered from 1 to 30 are an integral part of the financial statements.

Approved by the Board of Directors on 12 August 2021

and signed on its behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Claudia Matei
Chief Accountant



FINANCIAL POSITION STATEMENT (continuation)

as at 30 June 2021

(all amounts are expressed in LEI, unless otherwise mentioned)

| Share capital and reserves | NOTE | 30 June 21 | 31 December 20 |
|---|-------------|--------------------|-----------------------|
| Share capital | 20 | 98,537,535 | 98,537,535 |
| Own shares | 21 | (813) | (813) |
| Premiums related to the issuance/redemption of own shares | | (173,154) | (173,154) |
| Revaluation reserves | 22 | 1,967,642 | 1,967,642 |
| Reserves | 22 | 23,350,438 | 23,350,438 |
| Retained earnings | 23 | 146,999,035 | 113,605,303 |
| Current result | | 36,419,320 | 54,264,580 |
| Profit distribution | 24 | - | - |
| TOTAL CAPITALS | | 307,100,003 | 291,551,531 |

Explanatory notes numbered from 1 to 30 are an integral part of the financial statements.

Approved by the Board of Directors on 12 August 2021
and signed on its behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:

Claudia Matei
Chief Accountant



CASH FLOWS STATEMENT

for the period of 6 months concluded as at 30 June 2021
(all amounts are expressed in LEI, unless otherwise mentioned)

Cash Flows Statement

| Flows from operating activities | 30 June 21 | 30 June 20 |
|---|---------------------|--------------------|
| Profit before tax | 42,575,143 | 35,622,423 |
| <i>Adjustments for:</i> | | |
| Receivable adjustment | - | (281,020) |
| Adjustment of inventories | (396,943) | (1,801,069) |
| Amortisations and provisions | 6,833,844 | 5,390,322 |
| Modification of the real estate investments value | - | - |
| Loss/(profit) from the disposal of assets | (159,027) | (33,101) |
| Decrease/(increase) in other provisions | 401,377 | (2,272,402) |
| Other financial income | (471,767) | (781,318) |
| Financial costs | 3 | 4 |
| Profit before modifying the working capital | 48,782,630 | 35,843,839 |
| Decrease/(increase) of receivables | 21,461,331 | 13,261,336 |
| Decrease/(increase) of inventories | 6,950,691 | (15,322,844) |
| Increase/(decrease) of debts | 4,784,379 | (3,140,121) |
| Cash from operating activities | 81,979,031 | 30,642,210 |
| Paid financial costs | - | - |
| Paid profit tax | (6,536,144) | (8,286,305) |
| Net cash from operating activities | 75,442,887 | 22,355,906 |
| Flows from investments activities | | |
| Other financial assets | (29,000,000) | - |
| Acquisitions of tangible assets | (9,974,610) | (10,008,410) |
| Collections from the sale of fixed assets | 347,493 | 33,101 |
| Collected interest | 471,767 | 774,483 |
| Net flows from investment activities | (38,155,350) | (9,200,826) |
| Flows from financing activities | | |
| Paid dividends | (62,755) | (9,306,110) |
| Net flows from financing activities | (62,755) | (9,306,110) |
| Cash net increase/(decrease) | 37,224,782 | 3,848,969 |
| Cash and cash equivalents at the beginning of the period | 54,543,584 | 91,128,639 |
| Cash and cash equivalents at the end of the period | 91,768,366 | 94,977,608 |

Explanatory notes numbered from 1 to 30 are an integral part of the financial statements.

Approved by the Board of Directors on 12 August 2021
and signed on its behalf by:
Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Claudia Matei
Chief Accountant



STATEMENT OF CHANGES IN EQUITIES
for the period of 6 months concluded as at 30 June 2021
(all amounts are expressed in LEI, unless otherwise mentioned)

Statement of Changes in Equities

| | Subscribed capital | Own shares | Share issuance losses | Reserves | Retained earnings and current result | TOTAL |
|---|---------------------------|-------------------|------------------------------|--------------------|---|---------------------|
| 31 December 19 | 98,537,535 | (813) | (173,154) | 103,882,040 | 54,984,723 | 257,230,331 |
| Current and retained comprehensive income | - | - | - | - | 29,819,263 | 29,819,263 |
| Allocations of legal reserve | - | - | - | - | - | - |
| Allocations of other reserves | - | - | - | - | - | - |
| Allocations of other revaluation reserves | - | - | - | (78,563,960) | 78,563,960 | - |
| Prescribed dividends | - | - | - | - | 749,503 | 749,503 |
| Distributed dividends | - | - | - | - | (20,692,882) | (20,692,882) |
| 30 June 20 | 98,537,535 | (813) | (173,154) | 25,318,080 | 143,424,567 | 267,106,215 |
| | Subscribed capital | Own shares | Share issuance losses | Reserves | Retained earnings and current result | TOTAL |
| 31 December 20 | 98,537,535 | (813) | (173,154) | 25,318,080 | 167,869,883 | 291,551,531 |
| Current and retained comprehensive income | - | - | - | - | 36,419,320 | 36,419,320 |
| Allocations of legal reserve | - | - | - | - | - | - |
| Allocations of other reserves | - | - | - | - | - | - |
| Allocations of other revaluation reserves | - | - | - | - | - | - |
| Prescribed dividends | - | - | - | - | 807,410 | 807,410 |
| Distributed dividends | - | - | - | - | (21,678,258) | (21,678,258) |
| 30 June 21 | 98,537,535 | (813) | (173,154) | 25,318,080 | 183,418,355 | 307,100,003 |

Explanatory notes numbered from 1 to 30 are an integral part of the financial statements,

Approved by the Board of Directors on 12 August 2021
and signed on its behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:

Claudia Matei
Chief Accountant



Explanatory Notes to Financial Statements:

1. General Information

1.1. Company Presentation

BIOFARM SA has the registered office in Bucharest 3, 99 Logofătul Tăutu street, and has as the main object of activity the production and marketing of medicinal products for human use, NACE code 2120 "Manufacture of pharmaceutical preparations".

On 30 June 2021 the company has the following working points:

- Bucharest 1, 42-44 Iancu de Hunedoara avenue, tax identification number 14008268;
- Bucharest, str. Drumul Gura Badicului, nr. 202-232, sector 3, end products distribution warehouse, tax identification number 30037915.

The shareholding structure as at 30.06.2021 was the following:

| Shareholder | Shares | Percentage |
|---------------------------------|--------------------|-----------------|
| S.I.F. MUNTENIA, BUCHAREST | 508,231,323 | 51.5774 |
| S.I.F. BANAT-CRISANA S.A., ARAD | 362,096,587 | 36.7470 |
| Natural persons | 97,717,444 | 9.9168 |
| Legal persons | 17,329,996 | 1.7588 |
| Total | 985,375,350 | 100.0000 |

1.2. Structures of Corporate Governance

The Company elaborated a Corporate Governance Regulation which is posted on the company website www.biofarm.ro at the Corporate Governance/Investors Relationship section – Regulations and Regulations of advisory committees subsection. The purpose of adopting Corporate Governance Regulation is to ensure transparency, the rights of shareholders and of third parties, as well as company's credibility.

The Members of the Board of Directors of BIOFARM S.A. are:

- the Board of Directors of BIOFARM S.A. during the period 01.01.2021 – 30.06.2021 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VIÇOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
 - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent



On 30 June 2021, the company's management team was provided by the following persons:

- ✓ Cătălin Constantin VICOL - General Manager
- ✓ Mihai ZOESCU – Chief Financial Officer
- ✓ Ioana GORĂNESCU - Manager Marketing
- ✓ Dragoș MOISE – Trade Manager
- ✓ Dănuț IORGA – Field Force Manager
- ✓ Monica Claudia MATEI – Chief Accountant
- ✓ Petruța STOICESCU – Manufacturing Manager
- ✓ Maria BOGDE – Human Resources Manager
- ✓ Daniel CONSTANTIN – Manager of Legal and Investors Relationship Department
- ✓ Lucian BOGACIU – Administrative Manager
- ✓ Marcela GHERGHESCU – Quality Manager

Executive members have competences and responsibilities according to the job description.

All persons who are part of the company's executive management are employed with contracts for an indefinite period, except for Mr Catalin Constantin Vicol, General Manager, and Mr Mihai Zoescu, Chief Financial Officer, who have concluded mandate contracts. There are no agreements, understandings or family connections between the persons from the executive management of the company and another person due to whom the person from the executive management was appointed as a member of the executive management.

Persons who are part of the executive management or of the Board of Directors of the company were not involved in litigation or administrative proceedings in relation to their activity within the issuer.

2. Accounting Policies

These financial statements were elaborated in conformity with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS").

The separate financial statements were elaborated in conformity with International Financial Reporting Standards adopted by the European Union („IFRS”). The company elaborated these separate financial statements in order to fulfil the requirements of Order no. 2844/2016 regarding the application of the International Financial Reporting Standards by the commercial companies whose securities are allowed for trading on a regulated market.

The separate financial statements have been approved by the Board of Directors during the meeting of 12 August 2021.

The main accounting policies applied upon the elaboration of financial statements are established below. The policies were applied consistently in all presented years, unless otherwise stated.



Elaborating the financial statements according to the adopted IFRS require the use of certain significant accounting estimates. The Company Management approves any modification of the accounting policies. The fields in which decisions were made and significant estimates were carried out as well for the elaboration of the financial statements and their effect are shown in the following paragraphs.

2.1. Bases of Assessment

Separate financial statements are elaborated based on the convention of historical cost / amortized cost except for the tangible assets presented at reassessed cost by using the fair value as deemed cost and of elements presented at their fair value, respectively the financial assets and debts at their fair value through the profit and loss account and the financial assets available for sale, except for those for which the fair value cannot be realistically established.

2.2. Functional and Presentation Currency

The Company management that the functional currency, as defined by IAS 21 "Effects of exchange rate variation", is the Romanian Leu (LEI). Separate financial statements are presented in LEI.

The transactions performed by the Company in a currency other than the functional currency are recorded at the rates in force on the date on which transactions took place. Assets and monetary debts in foreign currency are converted at the rates in force at the reporting date.

2.3. Significant Accounting Judgments and Estimates

As a result of the uncertainties corresponding to business activities, certain elements from the financial statements cannot be accurately assessed, but they can only be estimated. Estimation implies judgments based on the latest available, credible information. Using reasonable estimates is an essential part of the elaboration of financial statements and does not undermine their credibility.

An estimate may require a revision if changes take place regarding the circumstances on which this estimate was based or following some new information or subsequent experiences. By its nature, the revision of an estimate is not related to prior periods and does not represent the correction of an error during the current period. If there is, the effect on future periods is recognised as income or expense in those future periods.

The company performs certain estimates and hypotheses with regard to the future. Estimates and judgments are continually assessed based on the historical experience and on other factors, including the forecasting of future events that are considered to be reasonable in the existing situations. In the future, actual experience may differ from these estimates and hypotheses.

Further on, assessment, estimation and presumptions examples applied within the company are presented:

(a) Assessment of Investment in Lands and Buildings Owned

The company obtains assessments conducted by external evaluators in order to determine the fair value of real estate investments and of buildings owned. These assessments are



based on hypotheses that include future income from rentals, anticipated maintenance costs, future development costs and the appropriate discount rate. Evaluators also refer to the information on the market related to transaction prices with similar properties.

(b) Adjustments for Depreciation of Receivables

The assessment for doubtful debts is performed individually and is based on the best estimation of management on the present value of cash flows that is expected to be received. For the estimation of these cash flows, management makes certain estimations with regard to the financial statement of partners. Each depreciated asset is individually analysed. The precision of adjustments depends on the estimation of future cash flows.

(c) Legal Proceedings

The company reviews the outstanding legal cases following the assessments within the legal proceedings and the existent situation at each reporting date, in order to assess the provisions and the presentations from its financial statements. Among the factors taken into consideration in the moment of taking the decisions related to provisions are the nature of the litigation or of claims and the potential level of damages in the jurisdiction in which the litigation is disputed, case progress (including the progress after the date of financial statements, but before the respective statements are issued), the views or opinions of legal advisers, the experience in similar cases and any decision of Company management related to the manner in which it will answer to the litigation, claim or assessment.

(d) Accounting Estimates

There are objective situations in which until the closing date of fiscal periods or until the closing date of a financial year, the exact values of expenditures employed by the company are not known (for ex.: marketing campaigns – products promotion sales and stimulation of sales). For this category of expenditures preliminary expenses shall be done, which will be corrected within the following periods when cash outflows will also be produced. Expenditure estimates, on each category of expense, shall be performed by people with experience in the type of activity generating that expense.

(e) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain situations, fiscal authorities may treat differently certain aspects, proceeding to the calculation of additional taxes and fees and of afferent delay penalties. The Company Management considers that tax liabilities included in the financial statements are appropriate.

2.4. Presentation of Financial Statements

The Company adopted a presentation based on liquidity within the statement of the financial position and a presentation of income and expenses depending on their nature within the comprehensive income statement, considering that these presentation methods offer information that are credible and more relevant than those that would have been presented based on other methods allowed by IAS 1 "Presentation of Financial Statements".



2.5. Ongoing Concern Principle

The period concluded on 30 June 2021 continued in line with the expectations of the management of Biofarm SA, so that, on the date of the financial statements, the management team of the company does not consider that there is any aspect that would affect the ongoing concern principle, the sales volume, cash flows and profitability. On the date of these financial statements, Biofarm SA has sufficient liquidities to meet its obligations upon maturity and, therefore, it applies the going concern principle as a basis for the preparation of the financial statements.

In the context of establishing the state of emergency on the territory of Romania by Decree no. 195/2020, published in the Official Gazette of Romania, Part I, no. 212 of 16 March 2020, and of the evolution of the international epidemiological situation determined by the spread of the SARS-CoV-2 virus, Biofarm gradually implemented, even from the first moments of alert regarding the prevention of the spread of the SARS-CoV-2 virus in Romania, a series of prevention and protection measures so as to minimize the risk of personnel contamination and to permanently ensure the essential activities of operation and production. Thus, taking into account the information and recommendations submitted by the competent authorities of the state, Biofarm SA has adopted measures for the safety of employees, but also for reducing the risks of discontinuation of drug manufacturing and delivery operations.

The Management Team of Biofarm SA constantly monitors the situation and continues to implement all the necessary measures for the protection and safety of employees, as well as for activity continuity under optimal conditions, in compliance with the recommendations sent by the authorities and considering the evolution of the Coronavirus pandemic. The management team does not consider that the Covid-19 pandemic will have a significant impact on the ongoing concern principle of Biofarm SA.

2.6. Intangible Assets

The record of intangible assets is performed according to IAS 38 "Intangible assets" and IAS 36 "Impairment of Assets". Externally acquired intangible assets are initially recognized at cost and subsequently amortised linearly during their useful economic duration.

Expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory marks and other intangible assets recognized for accounting purposes, except for the formation expenses, the goodwill, the intangible assets with indefinite useful life, thus classified according to the accounting regulations, are recovered through straight-line amortisation deduction during the contract period or the duration of use, if appropriate. Expenses related to the purchase or production of computer programs are recovered through straight-line amortisation deductions on a period of 3 years.

Intangible Assets generated Internally (Development Costs)

No intangible asset coming from research (or from the research phase of an internal project) is recognized. Research expenses (or those from the research phase of an internal project) are recognized as expense when incurred.



Development expenditures are not significant and are recognized in the comprehensive income statement as they are employed. To the extent that, projects with significant development costs may occur, they shall be capitalized as intangible assets.

2.7. Tangible Assets

Tangible assets are tangible elements that:

- a) are held for use in the production or supply of goods or services, in order to be rented to the third parties or to be used for administrative purposes; and
- b) are expected to be used during more than one period.

Recognition:

The cost of an item of tangible assets must be recognised as an asset only if:

- a) generation of future economic benefits afferent to the asset is probable for an entity; and
- b) the cost of the asset can be credibly assessed.

Assessment after Recognition

After recognition as an asset, an item of tangible assets is accounted for its cost minus any accumulated depreciation and any losses accumulated from depreciation.

After recognition as an asset, an item of tangible assets the fair value of which can credibly be assessed is accounted for a reassessed amount, this being its fair value at the date of reassessment minus any subsequently accumulated depreciation and any losses accumulated from the depreciation.

Reassessments are performed with sufficient regularity in order to make sure that the book value does not significantly differ from what would have been determined by using the fair value at the end of the reporting period.

The fair value of lands and buildings is generally determined based on the comparative values on the market, through an assessment performed by qualified professional assessors. The fair value of tangible assets items is generally their value on the market determined by assessment.

When an item of tangible assets is reassessed, any accumulated amortisation at the reassessment date is eliminated from the gross book value of the asset, and the net value is recalculated at the asset's reassessed amount.

If an item of tangible assets is reassessed, then the entire class of tangible assets from which that element is part is reassessed.

If the book value of a tangible asset is increased as a result of revaluation, then then the increase is recognized in other comprehensive income elements and accumulated in equity as a reassessment surplus. However, the increase shall be recognized in profit or loss to the extent that it compensates with a decrease from the reassessment of the same asset previously recognized in the profit or loss account.

If the book value of an asset is decreased as a result of a reassessment, this decrease shall be recognized in profit or loss. However, the reduction should be recognized in other comprehensive income elements to the extent that the reassessment surplus presents a credit balance for that asset. The reduction recognized in other comprehensive income elements reduces the amount accumulated in equity as a reassessment surplus.



The reassessment surplus included in equities afferent to an item of tangible assets is directly transferred in the result reported when the asset is derecognised. Transfers from reassessment surplus in the comprehensive income are not performed through the profit or loss account.

If there are any, the effects of taxes on the comprehensive income from the reassessment of tangible assets are recognized and presented in accordance with IAS 12 Tax income.

Amortisation

The depreciable value of an asset is systematically allocated on its useful life duration. Amortisation of an asset begins when it is available for use, that is, when it is in the location and condition necessary, in order to operate in the manner intended by the management.

The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by the entity.

The owned land is not amortised and is presented at the estimated fair value based on the trading values of comparable assets (IFRS 13 - Level 2). The fair value of buildings was determined using the net replacement cost method (IFRS 13 - Level 3).

For depreciable fixed assets the company uses, in terms of accounting, straight line depreciation method. Payback periods are determined by a specialty internal commission according to the company's internal procedures. You will find below a short presentation of useful lives of fixed assets on more important categories of assets:

| Category | Lifespan |
|--------------------------------|-----------------|
| Buildings and constructions | 24-40 years |
| Equipment and facilities | 7-24 years |
| Means of transportation | 4-6 years |
| Computer technology | 2-15 years |
| Furniture and office equipment | 3-15 years |

Depreciation

In order to determine whether an element of tangible assets is depreciated, the company applies IAS 36 Depreciation of assets. At the end of each reporting period, the entity estimates whether there is evidence of depreciation of assets. In case such evidence is identified, the entity estimates the recoverable amount of the asset.

Only in the case in which the recoverable amount of an asset is smaller than its carrying amount, the carrying amount of the asset shall be reduced in order to be equal to the recoverable amount. Such reduction represents a depreciation loss. An impairment loss is recognised immediately in the profit or loss of the period, except for the situations in which the asset is considered to the reassessed amount, in accordance with the provisions of another Standard (for example, in accordance with the reassessment model from the IAS 16 Tangible assets). Any impairment loss in the case of a reassessed asset is considered as being a decrease generated by reassessment.



Financial assets - IFRS 9 – Financial instruments (replaces IAS 39 Financial instruments: recognition and assessment)

Initial Assessment of Financial Assets and of Financial Debts

IFRS 9 replaces IAS 39, Financial instruments – recognition and assessment. IASB elaborated IFRS 9 in three stages: classification and assessment of financial assets, depreciation and coverage of risks. Other aspects of IAS 39, such as the scope, recognition and derecognition of financial assets survived only with a few modifications as compared to IAS 39.

The classification on IFRS 9 is determined by the characteristics of cash flows and by the business model within which an asset is held.

Subsequent Assessment of Financial Assets

IFRS 9 has only one model with less exceptions than IAS 39 who had a complex pattern. The new standard is based on the concept that financial assets are classified and assessed at their fair value, with modifications of the fair value recognized in the profit and loss account at the time they appear ("FVPL"), except for the case in which restrictive criteria are met, according to which asset classification and assessment is done at the amortised cost or at the fair value through other income "FVOCI").

Depreciation of Financial Assets

IFRS 9 eliminates the assessment of depreciation for investments in equity instruments as they can be measured now only at FVPL or FVOCI without resumption of modifications of the fair value in the profit and loss account.

In addition, IFRS 9 establishes a new approach for loans and receivables, including trade receivables having a model of "anticipated losses" that are concentrated mainly on risk.

Available financial assets for sale are those non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, investments maintained until the due date or financial assets recognised at their fair value through profit or loss.

Gains and Losses

A gain or a loss from a financial asset available for sale is recognized at other comprehensive income elements, except for impairment losses. Dividends for equity instruments available for sale are recognized in the profit or loss account, when the right of the entity to receive payment is established.

When a decrease of the fair value of a financial asset available for sale was recognized in other comprehensive income elements and there is objective evidence that the asset is depreciated, the cumulated loss that was recognized in other comprehensive income elements must be reclassified from equities in profit or loss as an adjustment from reclassification, even though the financial asset was not derecognised.

The cumulated loss value that is removed from equities and is recognized in the profit or loss must be the difference between the acquisition cost (net of any payment of the main and of amortisation) and current fair value, minus any impairment loss for that financial asset previously recognized in profit or loss.



If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and that increase can be objectively connected to an event that occurs after the impairment loss was recognized in the profit or loss, the impairment loss is resumed, and the amount of resuming is recognized in the profit or loss.

Cash and Cash Equivalents

The third major change which IFRS 9 introduces is related to hedging; IFRS 9 allows the coverage of several exposures and the establishment of new coverage criteria against risks.

Cash and cash equivalents include cash, sight deposits of banks, other short-term highly liquid investments with original maturities of three months or less than three months, and – for the purpose of the cash flow statement - overdraft.

2.8. Real Estate Investments – IAS 40

A real estate investment is recognised as an asset only if:

- a. there is the possibility for future economic benefits associated to the real estate investment to flow to the entity;
- b. the cost of real estate investment can be credibly assessed.

The company classifies as real estate investments the lands owned for a future use yet undetermined.

A real estate investment must be initially assessed in terms of cost. Trading costs shall be included in the initial assessment. The cost of a bought real estate investment includes its purchasing price and any directly attributable expenditure. Directly attributable expenditure includes for example, professional fees for legal services, property transfer taxes and other trading costs.

Real estate investments are subsequently presented in the balance sheet at their fair value, estimated depending on the trading values of comparable assets (IFRS 13 – Level 2).

After initial recognition, an entity that chooses the model of the fair value must assess all its real estate investments at their fair value, except for the cases in which it cannot be determined in a credible way.

A gain or a loss generated by a modification of the fair value of the real estate investment is recognized in the profit or loss in which it occurs.

An entity determines the fair value without deducing the trading costs it can bear within the sale or of another type of assignment.

The fair value of a real estate investment must reflect the market conditions at the end of the reporting period.

Fixed assets in the category of real estate investments, held by the company are presented in Note 12 to the financial statements.



2.9. Inventories

According to the provisions of IAS 2, the inventories are assets:

- a. owned for sale during the normal course of the activity;
- b. in the process of production for such sale; or
- c. in the form of materials and other consumables to be used in the production process or for the supply of services.

Assessment of inventories:

Inventories are assessed at the smallest value between the cost and the net realisable value.

Cost of Inventories

The cost of inventories contains all acquisition costs, conversion costs, as well as other costs borne in order to bring the inventories in the state and place where they are currently found.

Raw materials and materials inventories are emphasized at the acquisition value. The inventory outflow is done by using the FIFO method.

Inventories of products under execution are emphasized at the value of raw materials and of materials embedded in them.

The inventory of end products is recorded at the production cost in the moment of completing the manufacturing process.

Inventories Depreciation Adjustments

The assessment for depreciation of inventories is performed individually and is based on the best estimation of management on the present value of cash flows that are expected to be received. For the estimation of these flows, the management makes certain estimations with regard to the utility value of the inventory, taking into account the expiry date, the possibility of use in the company's current activity and of other factors specific for each inventory category. Each depreciated asset is individually analysed. The accuracy of adjustments depends on future cash flows estimations.

2.10. Receivables

Receivables occur mainly in the provision of goods and services to clients (for ex. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at the fair value plus the trading costs that are directly attributed to the acquisition or their issuance and are subsequently carried at amortized cost using the method of effective interest rate, minus adjustments for depreciation.

Receivables are presented in the balance sheet at the historical value less adjustments constituted for depreciation in cases in which it was found that the realisable value is lower than the historical value.

Adjustments for depreciation are recognised when there is objective proof (such as significant financial difficulties from the partners or the failure to fulfil payment obligations or significant delay of payment) that the Company will not be able to cash all amounts due according to the terms of receivables, the amount of the respective adjustment being the difference between the net book value and the current value of future cash flows expected associated with the depreciated receivable.

The assessment for depreciation of receivables is performed individually and is based on the best estimation of management on the present value of cash flows that are expected



to be received. For the estimation of these flows, the management makes certain estimations with regard to the financial statement of the partners. Each depreciated asset is individually analysed.

2.11. Financial Debts

Financial debts mainly include trade debts and other short-term financial debts, which are initially recognised at the fair value and subsequently carried at amortised cost using the effective interest method.

2.12. Recognition of Income and Expenses

2.12.1.1. Recognition of Income

Incomes represent the gross inflow of economic benefits throughout the period, generated within the development of normal activities of an entity, when these entries have, as a result, increases in equity, others than the increases related to the contributions of participants to the equity.

The fair value is the value to which an asset can be traded or a debt settled, between stakeholders and knowingly, within a transaction performed in objective conditions.

Starting with 1 January 2018, the IFRS 15 standard entered into force regarding the recognition of income generated by contracts concluded with clients.

IFRS 15 is a complex standard that introduces requirements much more prescriptive than they were previously included in IAS 18 Incomes, IAS 11 Constructions contracts and, therefore, may bring modifications of policies for the recognition of incomes.

Assessment of Income

IFRS 15 focuses on identifying obligations and makes a clear distinction between the obligations that are met "at some point in time" and those that are met "over a period of time", this being determined by the manner in which the control of goods or of services is transferred to the client. The new income model according to IFRS 15 means that we can have incomes recognised over a period for some results that have been accounted for during previous periods, in compliance with IAS 18 as goods.

IFRS 15 establishes a general framework for the recognition of income coming from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; the standard establishes five steps to follow for the recognition of income:

- contract (contracts) identification with a client;
- identification of execution obligations in a contract;
- identification of execution contracts in a contract;
- determining the transaction price;
- allocation of the transaction price for the execution obligations;
- recognition of incomes when (or as) the entity meets an execution obligation;

Income classification will be realised in three large groups:

- **Operating income**, comprising: incomes from the sold production, from the sale of goods, operating grants related to net turnover, from inventory variation, from the fixed assets production, other operating income, from value adjustments on fixed assets, from value adjustments on current assets, from adjustments on provisions for risks and expenses.



- **Financial income**, comprising: income from participating interests, from other financial investments and receivables that are part of fixed assets, from interests, other financial income, from the adjustment of the value of financial capital assets and financial investments held as current assets;

- **Extraordinary income.**

Special cases: If it is found that the income associated to a period of the current year is encumbered by fundamental errors, its correction will be implemented during the period in which the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the retained earnings account from corrections of fundamental errors, if the error value will be considered as being significant.

2.12.1.2. Recognition of Expenses

Expenses constitute decreases in economic benefits recorded during the accounting period as outputs or decreases in the value of assets or increases of debts that are concretised in reductions of equities, others than those resulted from their distribution to shareholders.

2.13. Depreciation of Non-Financial Assets (excluding Inventories, Real Estate Investments and Assets on Deferred Tax) – IAS 36 “Depreciation of Assets”

The assets owned by the company, as specified in the IAS 36 “Depreciation of assets”, are subject to depreciation tests whenever events or changes in circumstances indicate that it is possible for their carrying amount to not be recovered completely. When the book value of an asset exceeds the recoverable amount (that is the highest amount between the value of use and the fair value minus sales costs), the asset is properly adjusted.

When it is not possible for the recoverable amount of an individual asset to be estimated, the depreciation test is realised on the smallest group of assets to which it belongs and for which there are separately identifiable cash flows; its cash-generating units (“CGUs”).

The expenses with depreciation are included in the profit or loss account, except for the case in which reduction of previously recognised gains in other comprehensive income elements.

2.14. Provisions – IAS37 “Provisions, Contingent Liabilities and Contingent Assets”

The provision is assessed at the best estimation of necessary expenditures for settling the obligation at the reporting date, updated at a pre-taxation rate reflecting the current market assessments of money value over time and the risks specific to the debt.

According to IAS 37 “Provisions, contingent debts and contingent assets”, a provision must be recognised in the case in which:

- a. the Company has a current obligation (legal or constructive) generated by a past event;
- b. it is possible that for obligation settlement to be necessary an outflow of resources incorporating economic benefits; and
- c. a credible estimation of obligation value can be performed.



If these conditions are not fulfilled, a provision must not be recognised.

Provisions are recorded in accounting with the help of accounts from group 15 "Provisions" and is constituted based on expenditures, except for those that are afferent to decommissioning of tangible assets and of other similar actions related to them, for which the provisions of IFRIC 1 shall be considered.

Recognition, assessment and update of provisions are performed by complying with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

Provisions are grouped in accounting on categories and are constituted for:

- litigation;
- guarantees granted to clients;
- decommissioning of tangible assets and other similar actions related to them;
- reorganisation;
- employees' benefits;
- other provisions.

Provisions previously constituted are periodically analysed and updated.

2.15. Employees Benefits – IAS 19 Employees Benefits

Current Benefits granted to Employees

Short-term benefits granted to employees include indemnities, salaries and social security contributions. These benefits are recognized as expenses together with service delivery.

Benefits after Conclusion of Labour Contract

Both the Company and its employees have the legal obligation to contribute to social security contributions constituted at the National Pension Fund administered by the National House of Pensions (contributions plan founded based on the principle "paying along the way").

For this reason, the Company does not have any legal or implicit obligation of paying future contributions. Its obligation is only to pay contributions when they become due. If the Company hires persons who are contributing to the financing plan of the National House of Pensions, it shall not have any obligation for the payment of benefits earned by its own employees in previous years. The contributions of the Company to the contributions plan are presented as expenditures in the year to which they refer.

Pensions and other Benefits subsequent to Retirement

The Company had provided in the Collective bargaining agreement at company level a wage benefit for employees who retire (age limit, early retirement, disability pension). They receive an indemnity equal to two main salaries had in the retirement month. The Company shall attribute part from the cost of benefits in favour of the employee, during the work period of the employee in the enterprise. This benefit will be granted in what follows, even if, at the end of the year, the Company had failed to conclude a formal agreement with the employees' representatives.



The Company uses a statistical-actuarial calculation that is realized with sufficient regularity and has as its purpose the recognition of expenses with benefits during the period in which the employee contributed to the realisation of company income.

2.16. Deferred Tax -IAS 12

In the calculation of the deferred tax, the company shall take into account the provisions of IAS 12.

The assets and debts on the deferred tax are recognized when the book value of an asset or debt from the statement of financial position differs from the fiscal base, except for the differences that occur in:

- initial recognition of the goodwill;
- initial recognition of an asset or liability within a transaction that is not a combination of enterprises and at the transaction date it affects neither the accounting profit nor the taxable one; and
- investments in subsidiaries and jointly controlled entities when the Company can control the moment of difference inversion and it is possible for the difference to not be inversed in the predictable future.

The recognition of assets on deferred tax is limited to those moments in which it is possible for the taxable profit of the following period to be available. The active deferred tax corresponding to the depreciation at fair value of listed securities was not recognised.

The amount of the asset or liability is determined by using tax rates that were adopted or widely adopted until the reporting date and is expected to be applied when debts / (assets) on deferred tax are settled / (recovered).

The Company compensates receivables and debts regarding the deferred tax only if:

- a. it has the legal right to compensate receivables regarding the current tax; and
- b. receivables and debts on the deferred tax are afferent to profit taxes charged by the same tax authority.

2.17. Dividends

The profit share that is paid, according to the law to each shareholder, constitutes a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as the other similar distributions performed from the profit determined based on the IFRS and contained in the annual financial statements, are not recognised as a debt at the end of the reporting period.

Upon the accounting of dividends, the provisions of IAS 10 are considered.

2.18. Capital and Reserves

Capital and reserves (equities) represent the right of shareholders on the assets of an entity, after the deduction of all debts. The equities contain: capital contributions, capital bonuses, reserves, retained earnings, result of the financial year.

The entity was established according to Companies Law no. 31/1990, republished.



In the first set of financial statements elaborated according to the IFRS, the company applied the IAS 29 – “Financial reporting in hyperinflationary economies” for the contributions to shareholders obtained before January 01, 2004, and namely, they were adjusted with the appropriate inflation index.

2.19. Financing Costs

An entity must capitalise the loan costs that are attributable directly to the acquisition, construction or production of an asset with a long production cycle as part of the cost for the respective asset. An entity must recognise other loan costs as expenses in the period in which it bears them.

The Company did not finance the construction of long-term assets from loans.

2.20. Earnings per Share

The Company presents the basic earnings per share and diluted for common shares. The result per basic share is determined by dividing the profit or loss attributable to ordinary shareholders of the Company at the weighted average number of ordinary shares afferent to the reporting period. The diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and to the weighted average number of ordinary shares with dilution effects generated by potential ordinary shares.

2.21. Reporting on Segments

A segment is a distinctive component of the Company that supplies certain products or services (activity segment) or provides products or services in a certain geographical environment (geographical segment) and which is subject to risks and benefits different from those of the other segments. From the point of view of the activity segments, the Company does not identify distinctive components.

2.22. Affiliated Parties

A person or a close member of the family of the respective person is considered an affiliated party of the Company if that person:

- (i) has control or common control over the Company;
- (ii) has a significant influence on the Company; or
- (iii) is a member of the management key-personnel

The management key-personnel represents those people who have the authority and responsibility to plan, manage and control the activities of the Company directly or indirectly, including any director (executive or not) of the entity. Transactions with key personnel exclude the salary benefits granted to them, as they are presented in Note 6 “Personnel expenses”.

An entity is affiliated to the Company if it meets any of the following conditions:

- (i) The Entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the others).
- (ii) An entity is an associated entity or a joint venture of the other entity (or entity or a joint venture of a member of the group of which the other entity is part).



- (iii) Both entities are joint ventures of the same third party.
- (iv) An entity is a joint venture of a third party, and the other is an associated entity of the third party.
- (v) The Entity is a plan of post-employment benefits in the benefit of employees of the reporting entity or of an affiliated entity of the reporting entity. In the case in which the reporting entity represents itself such a plan, sponsor employers are also affiliated of the reporting entity.
- (vi) The Entity is controlled or jointly controlled by an affiliated person
- (vii) An affiliated person that has the control significantly influences the entity or is a member of the key personnel from the entity management (or of the parent company of the entity)

2.23. Modifications brought to the Accounting Policies

The company applied for the first time IFRS 15 and IFRS 9 during the annual financial reporting period concluded as at 31 December 2018.

The following new standards and amendments to existing standards issued by the Committee for International Accounting Standards (IASB) and adopted by the European Union (EU) *have not entered into force yet* for the annual financial reporting period ended as at 30 June 2021 and were not applied in the preparation of these financial statements: [IAS 8.30 (a)]:

| Norm/Interpretation [IAS 8.31 (a), 8.31(c)] | Nature of the imminent change of the accounting policy [IAS 8.31 (b)] | Possible impact on financial statements [IAS 8.31 (e)] |
|--|--|---|
| Amendments to IFRS 4 "Insurance Contracts" (in force for annual periods starting with 1 January 2021 or after this date) | The amendments to IFRS 4 extend the expiry deadline of the temporary exemption from the application of IFRS 9 to 2023, in order to align the date of entry into force of IFRS 9 to the new IFRS 17. | The adoption of the amendments to IFRS 4 will not have an impact on the individual financial statements, as this standard is not applicable at the date of preparation of these financial statements. |
| Amendments to IAS 39 "Financial instruments: recognition and value", IFRS 4 "Insurance contracts", IFRS 7 "Financial instruments: information to be provided", IFRS 9 "Financial instruments" and IFRS 16 "Leasing contracts" (in force for annual periods beginning on or after 1 January 2021) | The amendments provide a specific accounting treatment to schedule over time the changes in the value of financial instruments or of lease contracts occurred following the replacement of the reference index of the interest rate, which prevents a sudden impact on profit or loss and prevents unnecessary interruptions in hedging relationships as a result of the replacement of the interest rate benchmark. | The impact of the changes on the financial statements is being assessed. |



3. Financial Instruments and Risk Management

The Company is exposed by its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

Such as all the other activities, the Company is exposed to risks that occur from the use of financial instruments. This note describes the objectives, policies and processes of the Company for the management of these risks and methods used in order to assess them. Additional quantitative information in relation to these risks is presented in these financial statements.

There were no major modifications in the exposure of the Company to risks regarding financial instruments, objectives, policies and its processes for the management of these risks or the methods used in order to assess them compared with the previous periods except for the case in which it is otherwise stated in this note.

Main Financial Instruments

The main financial instruments used by the Company, from which the risk on financial instruments occurs, are as follows:

- Trade receivables and other receivables
- Other financial assets
- Cash and cash equivalents
- Trade payables and other payables

A summary of financial instruments owned by categories is provided below:

| | Loans and Receivables | |
|--|------------------------------|--------------------------|
| ASSETS | 30 June 21 | 31 December 20 |
| Commercial and assimilated receivables | 75,295,032 | 96,392,919 |
| Other financial assets | 29,000,000 | 21,000,000 |
| Cash and cash equivalents | 91,768,366 | 54,543,584 |
| Total | 196,063,398 | 171,936,503 |
| | | At amortised cost |
| DEBTS | 30 June 21 | 31 December 20 |
| Commercial and similar debts | 23,720,630 | 33,494,876 |
| Total | 23,720,630 | 33,494,876 |



The general objective of the management is that of establishing policies that try to reduce the risk as much as possible without unduly affecting Company competitiveness and flexibility.

The additional details on these policies are established below:

Credit Risk

The credit risk is the financial loss risk for the Company that occurs if a client or counterparty at a financial instrument does not fulfil its contractual obligations. The Company is mainly exposed to the credit risk occurred from sales to clients.

At the level of the Company there is a Trade Policy approved by the Board of Directors. In this trade policy, the sales trade conditions are clearly presented and there are conditions imposed in the selection of clients.

Biofarm works only with distributors with national coverage in the pharmaceutical market. In export sales, in all situations possible, the sale is contracted with pre-payment.

The period for the collection of receivables is in average at 156 days and is below the current level of the pharmaceutical market. Biofarm SA managed to permanently ensure the necessary of liquidities and high solvency and will try to continue to maintain the positive trend of the periods for the collection of receivables.

In the first semester of 2021, to mitigate credit risk, the Board of Directors of Biofarm SA continued to ensure the company's receivables by the conclusion of a receivables insurance policy.

The seniority structure of receivables can be found in Note 15.

Foreign Exchange Risk

The Company is mainly exposed to currency risk at the acquisitions performed from the suppliers of raw materials, packages and other materials outside Romania. The suppliers from the company who purchase these articles necessary for the production of medicines must have quality documents, provided in the European rules of registration of medicines. The Company cannot thus limit the acquisitions very much from third countries. Following the payment terms and ensuring the available funds for payment, so that the effect of foreign exchange risk to be reduced to minimum, are in the responsibility of the Financial-Accounting Department.

On 30 June 2021, the net exposure of the Company to the foreign exchange risk was as follows:

| Receivables and cash / Net debts | 30 June 21 | 31 December 20 |
|---|--------------------|-----------------------|
| LEI | 103,890,859 | 74,821,210 |
| EUR | 12,760,153 | 22,455,262 |
| USD | (115,277) | 480,338 |
| OTHER CURRENCIES | 4,993 | (4,092) |
| At the end of the period | 116,540,728 | 97,752,718 |



Considering the relatively reduced exposure to currency fluctuations, it is not expected for the reasonable fluctuations of exchange rates to produce significant effects in the future financial statements.

Liquidity Risk

Liquidity risk occurs from the management by the Company of working capital and of financing expenditures and of repayments of principal amount for its credit instruments.

The policy of Biofarm SA is to ensure that it will always dispose of sufficient cash so that to allow it to fulfil its obligations when they become due. In order to reach this objective, it seeks to maintain cash balances (or facilities agreed) in order to satisfy the needs of payments.

At the end of the financial year, the Company has sufficient liquid resources in order to honour its obligations in all foreseen reasonable circumstances.

Analysis of commercial debts and similar on maturity:

| Due commercial debts: | 30 June 21 | 31 December 20 |
|------------------------------|-------------------|-----------------------|
| at 1 month | 5,378,529 | 14,378,344 |
| between 1 - 3 months | 15,330,343 | 15,427,480 |
| between 3 - 6 months | 3,011,758 | 3,510,897 |
| over 6 months | - | 178,155 |
| Total | 23,720,630 | 33,494,876 |

Bank Liquidities

A significant amount from Company's cash availabilities is kept in banks as term bank deposits. The banks to which the company has bank accounts and term deposits are periodically analysed by the company management.

Operational Risk

The operational risk is the risk of producing direct or indirect losses coming from a range of causes associated to processes, personnel, technology and infrastructure of the Company, as well as from external factors, others than the credit, market and liquidity risk, such as those coming from legal and regulatory requirements and from the general standards accepted regarding the organizational behaviour. Operational risks come from all Company's operations.

The main responsibility of the development of controls related to the operational risk belongs to the unit management. The responsibility is supported by the development of Company's general standards of operational risk management on the following areas:

- Separation requirements of responsibilities, including the independent authorisation of transactions
- Transactions reconciliation and monitoring requirements
- Harmonisation to the regulation and legal requirements
- Documentation of controls and procedures
- Requirements for periodical analysis of the operational risk to which the Company is exposed and the adequacy of controls and procedures in order to prevent the identified risks



- Requirements for operational losses reporting and proposals for remediation of the causes that generated them
- Elaboration of plans of operational continuity
- Professional development and training
- Establishing ethical standards
- Prevention of litigation risk, including insurance, where necessary
- Minimising risks, including the efficient use of insurance, where necessary.

Capitals Adequacy

The management policy with regard to capital adequacy is focused on maintaining a solid capital base, for the purpose of supporting continuous development of the Company and reaching the investment objectives.

4. Income from Contracts with Clients

The income from sales includes the following elements:

| Sales income | For the period of 6 months concluded as at | |
|-------------------------------|--|--------------------|
| | 30 June 21 | 30 June 20 |
| Sales of end products | 146,935,406 | 127,776,077 |
| Sales of merchandise | 783 | 315,373 |
| Income from the sale of waste | 4,896 | 5,849 |
| Commercial discounts | (28,955,444) | (24,656,075) |
| TOTAL | 117,985,641 | 103,441,224 |

The turnover is realised mainly from the sale of end products directly to pharmaceutical distributors (for the internal market) by the sale point from Bucharest 3, 202-232 Drumul Gura Badicului street.

The net export sales in the first semester of 2021 were of lei 2,469,400 (2020: lei 1,525,632), representing approximately 2.10% from the total net sales of Biofarm SA.

More information on segment sales can be found in Note 28.

5. Raw Materials and Consumable Materials

Expenses with raw materials and consumable materials have the following structure:

| Raw materials and consumables | For the period of 6 months concluded as at | |
|-------------------------------|--|-------------------|
| | 30 June 21 | 30 June 20 |
| Raw materials | 12,266,994 | 13,465,450 |
| Auxiliary materials | 5,728,949 | 5,854,668 |
| Merchandise | 9,928 | 354,171 |
| Inventory objects | 84,622 | 305,441 |
| Other consumables | 319,045 | 223,757 |
| TOTAL | 18,409,538 | 20,203,487 |



6. Personnel Expenses

Personnel expenses have the following structure:

| Personnel expenses | For the period of 6 months concluded as at | |
|-------------------------------|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Wages | 19,797,423 | 18,944,380 |
| Fees and social contributions | 798,216 | 751,719 |
| Other benefits | (98,623) | (1,125,485) |
| TOTAL | 20,497,016 | 18,570,614 |

The Company is managed in unitary system, according to the Companies Law no. 31/1990, company management being ensured by the Board of Directors of Biofarm S.A. The structure of the Board of Directors and of the Executive Management is presented in Note 1. General information.

The remuneration granted to the Board of Directors and to the Executive Management (according to IAS 24 - key personnel) is presented in the following table:

| Description | For the period of 6 months concluded as at | |
|-------------------------------------|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Contracts of the Board of Directors | 1,733,465 | 1,552,884 |
| Wages of key managers | 3,953,197 | 3,875,202 |
| Food vouchers | 27,480 | 21,360 |
| TOTAL | 5,714,142 | 5,449,446 |

7. Other operating expenses

Other operating expenses include the following:

| Other operating expenses | For the period of 6 months concluded as at | |
|---|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Utilities | 1,984,664 | 2,049,952 |
| Repairs | 517,369 | 914,505 |
| Insurance | 492,820 | 333,835 |
| Bank fees | 15,895 | 20,286 |
| Advertising and promotion of products | 18,549,805 | 16,947,937 |
| Travel and transport | 840,181 | (241,306) |
| Post and telecommunications | 266,609 | 214,423 |
| Other services provided by third parties | 4,531,321 | 3,477,646 |
| Other taxes and duties | 1,122,457 | 1,188,509 |
| Protocol | 466,719 | 393,384 |
| Expenses from disposal of assets | 188,466 | - |
| Losses and adjustments for doubtful receivables | - | (281,020) |
| Inventory adjustments | 569,370 | (370,391) |
| Donations and grants | 277,500 | 1,311,162 |
| Other operating expenses | 17,298 | 3,322 |
| TOTAL | 29,840,474 | 25,962,244 |



8. Net Financial Income

The net financial income has the following structure:

| Net financial income/(costs) | For the period of 6 months concluded as at | |
|-------------------------------------|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Interest income | 471,767 | 781,318 |
| Costs with interests | (2) | (4) |
| TOTAL | 471,765 | 781,314 |

9. Corporate Tax Expenses

| Corporate tax expenses | For the period of 6 months concluded as at | |
|-------------------------------|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Current profit tax expense | 6,517,743 | 5,487,318 |
| Deferred tax expense/(income) | (361,920) | 315,842 |
| TOTAL | 6,155,823 | 5,803,160 |

The profit tax to be paid was calculated considering the non-deductible expenses, respectively taxable income, tax incentives as well as provisions effects for profit tax. Reconciliation between the accounting profit and the tax profit that was at the basis of profit tax calculation is presented in the following table:

| Name of indicators | For the period of 6 months concluded as at | |
|--|---|-------------------|
| | 30 June 21 | 30 June 20 |
| Income and items similar to income | 124,594,695 | 114,395,943 |
| Total expenses (less corporate tax) | (81,657,631) | (79,089,362) |
| Accounting result | 42,937,064 | 35,306,581 |
| Deductions (fiscal amortisation) | (3,136,823) | (2,696,802) |
| Non-deductible expenses/(Non-taxable income) | 2,641,902 | 8,459,889 |
| Fiscal result | 42,442,143 | 41,069,668 |
| Corporate tax (fiscal result x 16%) | 6,790,743 | 6,571,147 |
| Profit tax reductions calculated according to the legislation in force | (273,000) | (1,083,829) |
| Total corporate tax | 6,517,743 | 5,487,318 |



The variation of the deferred corporate tax, (expense)/income is:

Deferred tax (expense)/income:

| Assets | 30 June 21 | 30 June 20 |
|--|-------------------|-------------------|
| Salary debts | (15,780) | (180,078) |
| Depreciation adjustments of Tangible assets | 0 | - |
| Depreciation adjustments of Doubtful debts | - | (3,992) |
| Un-invoiced contractual obligations | 287,235 | 296,837 |
| Other debts | (5,845) | (518,750) |
| | 265,610 | (405,983) |
| Debts | | |
| Tangible assets- recognized in the profit and loss account | 96,310 | 90,141 |
| Tangible assets-recognised in capitals | - | - |
| | 96,310 | 90,141 |
| TOTAL | 361,920 | (315,842) |

10. Earnings per Share

| | For the period ended as at 30 June 21 |
|-------------------------------------|--|
| Net profit (A) | 36,419,320 |
| Number of ordinary shares (B) | 985,375,350 |
| Own shares held (C) | 8,126 |
| Earnings per share (A/(B-C)) | 0.0370 |

On 30 June 2021, the company did not hold a property title on the land in use from str. Bucharest 3,99 Logofătul Tăutu street.

The land in use from 99 Logofătul Tăutu street is not included in the financial statements of Biofarm SA, due to the fact that the documents attesting the property were not yet obtained, there being notifications on Law no. 10/2001.

In compliance with provisions of the GD 834/1991 art. 1, the company requested the obtaining of the attesting certificate regarding the property title for the land, for the lands necessary to carry out the activity according to the activity object.

The value of the land for which the attesting certificate regarding the property title for the land will be obtained, shall be established based on legal provisions. Together with the value of the lands, the share capital of the company shall increase as well, and the shares will enter into the property of the state. The dilution effect shall be considered while calculating the result per diluted share.



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| | For the period ended as at |
|---|-----------------------------------|
| | 30 June 21 |
| Net profit (A) | 36,419,320 |
| Number of ordinary shares (B) | 985,375,350 |
| Own shares held (C) | 8,126 |
| Number of shares obtained AVAS by in-kind contribution for the Logofățul Tăutu land (D) | <u>71,597,965</u> |
| Result per diluted share (A/(B+C)) | <u><u>0.0345</u></u> |

In the calculation of SAMA (*State Asset Management Agency*) shares by in kind contribution for the land from Logofățul Tăutu, the value indexed with the inflation update index in 2020 for 1991 was considered.



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11. Tangible Assets

| COST | Lands | Buildings | Technical installations and machines | Other installations, machinery and furniture | Tangible assets under progress | Total |
|-------------------------------------|------------------|--------------------|---|---|---------------------------------------|--------------------|
| 31 December 2019 | 5,534,297 | 54,346,210 | 100,138,410 | 1,847,303 | 32,381,675 | 194,247,895 |
| Purchases | 186,607 | 16,312,032 | 21,929,942 | 1,018,050 | 26,765,968 | 66,212,599 |
| Outputs/Transfers | - | (676,984) | (3,145,818) | (31,456) | (39,260,025) | (43,114,283) |
| Reassessments | - | - | - | - | - | - |
| 31 December 2020 | 5,720,904 | 69,981,258 | 118,922,534 | 2,833,897 | 19,887,618 | 217,346,211 |
| Purchases | - | - | 1,600,830 | 126,895 | 9,988,328 | 11,716,053 |
| Outputs | - | - | (1,712,998) | (217,199) | (1,727,725) | (3,657,922) |
| Reassessments | - | - | - | - | - | - |
| 30 June 2021 | 5,720,904 | 69,981,258 | 118,810,366 | 2,743,593 | 28,148,221 | 225,404,342 |
| AMORTISATION AND ADJUSTMENTS | | | | | | |
| 31 December 2019 | - | 1,715,829 | 58,144,989 | 1,584,535 | 794,655 | 62,240,007 |
| Period cost | - | 2,670,645 | 7,649,333 | 161,953 | - | 10,481,931 |
| Outputs/Transfers | - | (17,630) | (3,803,977) | (30,734) | - | 3,852,340 |
| Reassessments | - | - | - | - | - | - |
| 31 December 2020 | - | 4,368,844 | 61,990,345 | 1,715,754 | 794,655 | 68,869,598 |
| Period cost | 9,328 | 1,694,048 | 4,822,635 | 140,426 | - | 6,666,438 |
| Outputs/Transfers | - | - | (1,510,990) | (217,015) | - | (1,728,005) |
| Reassessments | - | - | - | - | - | - |
| 30 June 2021 | 9,328 | 6,062,892 | 65,301,990 | 1,639,165 | 794,655 | 73,808,030 |
| Depreciation adjustment 2018 | - | (2,647,669) | (2,905,912) | - | - | (5,553,581) |
| Depreciation adjustment 2020 | - | 278,099 | 524,198 | - | (974,539) | (172,241) |
| NET VALUES | | | | | | |
| 31 December 2019 | 5,534,297 | 51,698,541 | 97,232,498 | 262,768 | 31,587,020 | 137,561,470 |
| 31 December 2020 | 5,720,904 | 63,242,846 | 54,550,476 | 1,118,143 | 18,118,425 | 142,750,794 |
| 30 June 2021 | 5,711,576 | 61,548,796 | 51,126,662 | 1,104,428 | 26,379,027 | 145,870,489 |



Reassessment of Fixed Assets

Biofarm policy is to reassess the patrimony every 3 (three) years. The last assessment was done on 31.12.2018, when lands being in the patrimony owned by the company were reassessed by SC Iprochim SA, an associate member of the National Association of Romanian Valuers (ANEVAR), with certificate no. 183/1992.

The land reassessment report was transposed in accounting on 31.12.2018. The result of lands appraisal is presented in the table below:

| Description | Input value | Reassessed value 31.12.2015 | Purchase 2016 | Reassessed value 31.12.2018 | Appreciation (Depreciation) 2018 |
|---|-------------|--------------------------------|------------------|--------------------------------|--|
| Land on str. Drumul Gura Badicului nr. 202-226, Bucharest | 3,263,722 | 3,977,429 | 389,495 | 5,534,296 | 1,167,382 |

On 31.12.2020, Biofarm SA revalued through Romcontrol SA the land from Bucharest 1, 40-42 Iancu de Hunedoara avenue.. According to the revaluation report, the land was revalued to the value of Lei 11,507,054, thus a depreciation in the amount of Lei 26,276 was registered compared to the revalued value of Lei 11,533,330 on 31.12.2019 and is presented in Note 12, Real estate investments.

The constructions owned by Biofarm SA were reassessed on 31.12.2018 as follows:

| Explanations | Value |
|--|------------|
| Remained value as at 31.12.2018 | 12,346,137 |
| Reassessed value as at 31.12.2018 | 11,807,326 |
| Total appreciation/depreciation 31.12.2018 | (538,811) |

The reference method is the net replacement cost (IFRS 13 – Level 3).

Amortisation of Fixed Assets

Accounting amortisation is calculated by using the linear method. For the new fixed assets, entered in 2021, such as installations, cars and measurement and control devices, the useful life being established by considering the following:

- the estimated level of use based on the use of asset capacity;
- repair and maintenance program practiced by Biofarm SA on plants and machinery;
- obsolescence caused by possible changes in the production process depending on the structure of products portfolio supplied by the company.

Fixed Asset Advances in Progress

On the date of the financial statements, Biofarm SA had advances paid for tangible assets in progress in the amount of lei 5,981,930.



Decommissioning of Fixed Assets and Constituted Provisions

In 2020, fixed assets were proposed for decommissioning with an unamortized value on 31.12.2020 in the amount of lei 16,031, which were written off and quashed.

Considering the plan for production relocation in the new factory, as well as other internal and external factors, the Company analysed the net accounting value recorded on the date of the balance sheet for depreciable tangible assets, in order to evaluate the possibility of the existence of their depreciation, which might attract the registration of an adjustment for depreciation. The company recorded on the balance sheet date an adjustment for the depreciation of the building and of the equipment from the location: 99 Logofățul Tăutu street in the amount of lei 5,725,820.

Litigations and Property Rights for Fixed Assets

On 30 June 2021, the company did not hold a property title on the land in use from 99 Logofățul Tăutu street.

The land in use from 99 Logofățul Tăutu street is not included in the financial statements of S.C. Biofarm S.A., due to the fact that the documents attesting the property were not yet obtained, there being notifications on Law no. 10/2001.

For the litigations pending before the courts in which the company Biofarm SA is involved, taking into account the favourable sentence of 2021 and the estimation of the chances of winning from the lawyers, no provisions were established in the first semester of 2021.

12. Real Estate Investments

The land owned by Biofarm SA in Bucharest 1, 40-42 Iancu de Hunedoara avenue, is considered a Real Estate Investment, not being used by the company for carrying out the operating activity and not having an established destination.

| | 30 June 21 | 31 December 20 | 31 December 19 |
|---------------------------------------|-------------------|-----------------------|-----------------------|
| At the beginning of the period | 11,507,054 | 11,533,330 | 11,337,809 |
| Fair value modification | - | (26,276) | 195,521 |
| At the end of the period | 11,507,054 | 11,507,054 | 11,533,330 |



13. Intangible Assets

Modifications in the acquisition cost and the amortisation afferent to intangible assets are presented in the following table:

| | 30 June 21 | 31 December 20 |
|--|----------------|----------------|
| Cost | | |
| Initial balance | 3,632,135 | 3,483,578 |
| Inputs | - | 161,295 |
| Outputs | 264,205 | (12,738) |
| Final balance | 3,367,930 | 3,632,135 |
| Amortisation/depreciation adjustments | | |
| Initial balance | (3,099,795) | (2,643,807) |
| Period cost | (167,404) | (468,726) |
| Outputs | 264,205 | 12,738 |
| Final balance | (3,002,994) | (3,099,795) |
| Net value | 364,936 | 532,340 |

14. Inventories

| | 30 June 21 | 31 December 20 |
|---|-------------------|-------------------|
| Inventories | | |
| Raw materials and consumables | 18,928,948 | 24,666,336 |
| Adjustments of raw materials and consumables | (918,555) | (1,103,770) |
| Production under progress and semi-end products | 2,263,795 | 1,367,749 |
| End products | 7,170,761 | 9,073,630 |
| Merchandise | 48,673 | 255,151 |
| Adjustments | (164,262) | (375,990) |
| TOTAL | 27,329,360 | 33,883,106 |

15. Trade and Other Receivables

| Description | 30 June 21 | 31 December 20 |
|---|-------------------|--------------------|
| Trade receivables | 86,815,367 | 109,067,257 |
| Adjustments for trade receivables | (14,475,735) | (14,475,735) |
| Employees | (37,003) | (30,555) |
| Sundry debtors and other receivables | 612,546 | 609,301 |
| Adjustments for other receivables | (211,757) | (211,757) |
| Total financial assets others than cash, classified as loans and receivables | 72,703,418 | 94,958,511 |
| Interest to be collected | 109,082 | 111,977 |
| Other receivables from the State Budget | 5,779,380 | 6,019,911 |
| Advances | 791,792 | 453,465 |
| Accrued expenses | 1,690,741 | 868,966 |
| TOTAL | 81,074,413 | 102,412,830 |



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Fair values of trade receivables and of other nature classified as being credits and receivables do not significantly differ from their accounting values.

The Company has not pledged or anticipated commercial receivables.

| Seniority analysis | 30 June 21 | 31 December 20 |
|-----------------------------------|-------------------|-----------------------|
| Receivables not yet due | 62,667,185 | 90,696,827 |
| Adjusted outstanding receivables: | | |
| up to 3 months | 9,751,563 | 4,276,257 |
| between 3 and 6 months | - | - |
| between 6 and 12 months | - | - |
| over 12 months | (79,116) | (108,314) |
| TOTAL | 72,339,632 | 94,864,770 |

On 30 June 2021, the Company has adjustments recorded for trade receivables representing customers' balance which is unlikely to be received by the company anymore in the amount of lei 14,687,492.

| Customer adjustments and other receivables | 30 June 21 | 31 December 20 |
|---|-------------------|-----------------------|
| At the beginning of the period | 14,687,492 | 17,845.807 |
| Constituted | - | 1,155,594 |
| Adjustments cancellation | - | (4,313,909) |
| At the end of the period | 14,687,492 | 14,687,492 |

According to IFRS 9, the company analysed the balances of all customers and decided to not establish any additional depreciation adjustment on 30 June 2021 as compared to 31 December 2020.

16. Cash and Cash Equivalents

Financial assets include highly liquid investments with a maturity of maximum 6 months:

| Other financial assets | 30 June 21 | 31 December 20 |
|-------------------------------|-------------------|-----------------------|
| Other financial assets | 29,000,000 | 21,000,000 |
| TOTAL | 29,000,000 | 21,000,000 |

Cash and cash equivalents include the money available in the bank accounts, cash register and demand deposits in banks with initial due dates of maximum three months:

| Cash and cash equivalents | 30 June 21 | 31 December 20 |
|----------------------------------|-------------------|-----------------------|
| Cash in bank | 17,532,960 | 26,610,786 |
| Cash and cash equivalents | 7,207 | 11,726 |
| Deposits | 74,228,199 | 27,921,072 |
| TOTAL | 91,768,366 | 54,543,584 |

No non-cash transactions were carried out with natural or legal third parties in the first semester of 2021.



17. Commercial Debts and Other Debts

| Commercial debts and similar | 30 June 21 | 31 December 20 |
|--|-------------------|-------------------|
| Commercial debts | 25,018,026 | 35,445,035 |
| Suppliers of assets | 941,365 | 1,406,035 |
| Debts in relation to employees | 800,916 | 1,260,085 |
| Untaken leave | 1,463,417 | 1,037,000 |
| Salary bonuses | 3,878,068 | 4,403,108 |
| Retirement benefits | 36,939 | 36,939 |
| Other debts | 203,239 | 400 |
| Total debts less loans, classified as measured at an amortised cost | 32,341,970 | 43,588,602 |
| Taxes and social contributions | 1,673,980 | 2,210,433 |
| Other tax debts | 129,942 | 198,189 |
| Guarantees for suppliers | 953,530 | 1,104,730 |
| Dividends | 24,572,180 | 3,764,087 |
| TOTAL | 59,671,602 | 50,866,041 |
| Contractual debts | 22,825,274 | 27,013,997 |
| | 82,496,876 | 77,880,038 |

Contractual debts represent the natural discount debt related to the sales from the reported period. This natural discount shall be granted in the next period.

18. Deferred Profit Tax

The variation of debts on deferred profit tax is presented in the following table:

| Description | 30 June 21 | 31 December 20 |
|------------------------------|------------------|------------------|
| Initial balance | 5,737,311 | 4,991,403 |
| Deferred tax income | 361,920 | 745,908 |
| Final balance (asset) | 6,099,231 | 5,737,311 |



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The deferred tax refers to the following:

| | 30 June 21 | 31 December 20 |
|---|--------------------|-----------------------|
| Assets | | |
| Salary debts | 959,890 | 975,669 |
| Depreciation adjustments of Tangible assets | 379,131 | 379,131 |
| Depreciation adjustments of Doubtful debts | 1,823,713 | 1,823,713 |
| Un-invoiced contractual obligations | 5,331,504 | 5,044,271 |
| Other debts | 508,065 | 513,910 |
| | 9,002,303 | 8,736,694 |
| Debts | | |
| Tangible assets – recognised in the profit and loss account | (696,174) | (792,485) |
| Tangible assets – recognised in capitals | (2,206,898) | (2,206,898) |
| | (2,903,072) | (2,999,383) |
| TOTAL | 6,099,231 | 5,737,311 |

The deferred tax – debts afferent to tangible assets recognised in the profit and loss account is generated by the temporary difference between the fiscal basis and their accounting value, as Biofarm SA uses lifespans and depreciation methods that are different in the accounting book as compared to the fiscal register of fixed assets. The deferred tax related to tangible assets recognised in capitals was generated by the revaluation differences.

19. Long-Term Debts

| | 30 June 21 | 31 December 20 |
|------------------------|-------------------|-----------------------|
| Long-term debts | | |
| Long-term debts * | 620,888 | 620,888 |
| Total | 620,888 | 620,888 |

* The amount presented under “Long-term debt”, according to the actuarial report, represents only the benefits that will be granted after 12 months from the date of the financial statements, the benefits that will be paid in the next period, up to 12 months, have been reclassified to “Provisions for salary rights”.



The variation of long-term debts is presented in the following table:

| Salary obligations | Pension provisions (actuarial calculation) | Total |
|---------------------------------|---|----------------|
| 31 December 20 | 620,888 | 620,888 |
| Constitutions during the period | - | - |
| Uses during the period | - | - |
| 30 June 21 | 620,888 | 620,888 |

| | |
|---------------------------------|------------------|
| Other provisions | |
| 31 December 20 | 1,034,999 |
| Constitutions during the period | 500,000 |
| Uses during the period | - |
| 30 June 21 | 1,534,999 |

The amount presented in Other provisions represents expenses provisioned for other benefits.

20. Share Capital

The subscribed share capital of the company on 30 June 2021 is of lei 98,537,535, the nominal value of a share being of 0.1 lei/share. The company has a number of 985,375,350 shares that confer equal rights to company's shareholders. Biofarm SA did not issue shares that would offer preferential rights to the holding shareholders.

21. Information on the Repurchase of Own Shares

Following the increase of share capital by incorporating the profit corresponding to 2006, a number of 8,126 shares remained, which could not be redistributed according to the allocation rate. These shares were allocated to the company by the Depozitarul Central. On 30.06.2021, Biofarm SA holds 8,126 own shares.

22. Reserves

Reserves include the following components:

| Reserves | 30 June 21 | 31 December 20 |
|-----------------------------------|-------------------|-----------------------|
| Fixed assets revaluation reserves | 1,967,642 | 1,967,642 |
| Legal reserves | 19,707,507 | 19,707,507 |
| Other reserves | 3,642,931 | 3,642,931 |
| TOTAL | 25,318,080 | 25,318,080 |



In the following, the nature and purpose of each reserve within the equity is described:

| Reserve | Description and purpose |
|-----------------------------------|--|
| Fixed assets revaluation reserves | If the accounting value of a tangible asset is increased as a result of revaluation, then the increase must be recognised in other comprehensive income elements and cumulated in equity, with title of reassessment surplus. Reassessment reserves cannot be distributed and cannot be used at the share capital increase. |
| Legal reserves | According to Law 31/1990, each year at least 5% is taken from the profit for the formation of the reserve fund, until it reaches minimum the fifth part of the share capital. On 30 June 2021, the legal reserve was not established, due to the fact that the threshold of at least one fifth of the share capital was reached. |
| Other reserves | Other reserves include on 30 June 2021 reserves afferent to reinvested profits. |

23. Retained Earnings

Retained earnings include the following components:

| Description | 30 June 21 | 31 December 20 |
|---|--------------------|-----------------------|
| Retained earnings coming from the adoption for the first time of IAS, less IAS 29 | 2,363,952 | 2,363,952 |
| Retained earnings coming from the transition to the IFRS application, less IAS 29 | 443,006 | 443,006 |
| Retained earnings coming from the application of IFRS 15 | (11,327,184) | (11,327,184) |
| Retained earnings surplus revaluation reserve | 31,752 | 31,752 |
| Retained earnings coming from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost | 14,037,338 | 14,037,338 |
| Reclassification from Other Reserves * | 78,563,960 | 78,563,960 |
| Profit distribution 2019 including undistributed dividends | 29,492,479 | 29,492,479 |
| Retained earnings for 2020, including undistributed dividends | 33,393,732 | - |
| TOTAL | 146,999,035 | 113,605,303 |



* According to the OGMS of 28.04.2020, it was decided to reclassify the amount of lei 78,563,960 from the category "Other reserves" to the category "Retained earnings" for a more accurate presentation of the capital structure of Biofarm SA, considering that the initial source of these amounts represented the profit of previous years.

24. Current Profit Distribution for 2021

On 30 June 2021, Biofarm company has a number of 985,375,350 issued shares. The net profit distribution of Biofarm SA shall be approved by the Ordinary General Meeting of Shareholders.

25. Contingent Debts

There are no significant contingent debts on the balance sheet date.

26. Commitments

The company has no debts to the credit institutions.

S.C. Biofarm S.A. did not submit guarantees and did not pledge, respectively did not mortgage its own assets for guaranteeing obligations in favour of a third party.

27. Information on the Audit of Financial Statements

The financial statements concluded on 30 June 2021 are not audited.

The financial audit for the fiscal year 2021 shall be carried out by BDO Audit SRL.

28. Segment Reporting

The share, in the amount of (RON), of the of the income of the three categories of products manufactured by Biofarm SA (food supplements (SN), over-the-counter drugs (OTC) and prescription drugs (RX)) is the following: over-the-counter drugs (OTC) have a share of 58%, food supplements (SN) have a share of 39% from the company portfolio, and the share of prescription drugs (RX) is of 3%.

The distribution of sales of Biofarm SA products is mostly in the retail segment, this segment representing 98% from the total of Biofarm sales both in terms of volume and in terms of value. In the first semester of 2021, Biofarm SA has contracts concluded with a number of six distributors: the first and the second 20%, the third 19%, the fourth 17%, the fifth 16%, and the sixth 7%.

The share of export sales represented approximately 2.1% from the total net sales of Biofarm SA. The company's products were exported in 5 countries, Republic of Moldova, Hungary, Russia, Ukraine and Azerbaijan.

29. Affiliated Parties

In the first semester of 2021, Biofarm SA carried out transactions with the entity Vrancart SA Adjud, held in a percentage of 75% by S.I.F. BANAT-CRISANA SA, in the amount of lei 77,348 (packaging acquisitions) and has a debt on 30 June 2021 in the amount of lei 27,676.



30. Subsequent Events

Based on the information we have so far, the shareholding structure has not changed significantly until the date of issuance of these financial statements and no other significant events occurred after the end of the fiscal year.

The financial statements were prepared according to the going concern principle. The long-term impact is that it will not affect the volume of sales, cash flows, and profitability. On the date of these financial statements, Biofarm SA has sufficient liquidities to meet its obligations upon maturity and, therefore, applies the going concern principle as a basis for the preparation of the financial statements.

In July 2021, Biofarm SA, following the inspection carried out by NAMMDR (*National Agency for Medicines and Medical Devices of Romania*), obtained the certificate pursuant to the Good Manufacturing Practice Guide (GMP) for the new manufacturing site of Bucharest, str. Drumul Gura Badicului, nr. 202-232, sector 3.

Approved by the Board of Directors on
12 August 2021 and signed on its behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Claudia Matei
Chief Accountant



STATEMENT

in compliance with the provisions of art. 30 from the Accounting Law no. 82/1991 on the financial statements elaborated on 30.06.2021

The financial statements were elaborated on 30.06.2021 for:

Legal entity: **S.C. BIOFARM S.A**

County: 40—BUCHAREST MUNICIPALITY

Address: BUCHAREST locality, no. 99 LOGOFATUL TAUTU Street, tel. 0213010621

Number with the Trade Register: J40/199/1991

Type of ownership: 34-Joint-stock companies

Main activity (code and name of NACE class): 2120-Manufacture of pharmaceutical preparations

Tax Identification Number: **RO341563**

The Chairman of the Board of Directors of BIOFARM SA, Mr ANDREI HREBENCIUC, assumes responsibility for the elaboration of annual financial statements on 30.06.2021 and confirms that:

a) The accounting policies used for the elaboration of annual financial statements are in conformity with the applicable legal regulations and with the applicable International Financial Reporting Standards;

b) Annual financial statements offer an accurate image of the financial position, of the financial performance and of the other information regarding the activity performed;

c) The legal entity performs its activity in continuity conditions.

ANDREI HREBENCIUC

Chairman of the Board of Directors

CLAUDIA MATEI

Chief Accountant

