

## 2023 Annual Report

Translation of the Company's 2023 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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## **DIRECTORS' REPORT** **BIOFARM SA for 2022**

**Report according to: F.S.A. Regulation No. 5/2018 – Annex 15**

For the fiscal year: **2023**

Date of the report: **31.12.2023**

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

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

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

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

Order number with the Trade Register: **J40/199/1991 din 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:  
**dematerialized registered shares**

### **1. Analysis of the Commercial Company Activity**

#### **Description of the basic activity of the commercial company:**

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

Biofarm S.A. holds the Certificate on compliance with good manufacturing practice issued by the National Agency for Medicines and Medical Devices of Romania for the manufacturing site located in 99 Logofătul Tăutu street, Bucharest 3:

- ✓ non-sterile products – soft 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 sterility and physicochemical tests).

Biofarm SA holds the Certificate on compliance with good manufacturing practice issued by the National Agency for Medicines and Medical Devices of Romania for the manufacturing site located in 202-232 Drumul Gura Bădicului street, Bucharest 3:

- ✓ non-sterile products – soft capsules, tablets, other solid dosage forms: sugar-coated tablets, film-coated tablets;
- ✓ herbal products;
- ✓ tests for quality control (microbiological – without sterility and physicochemical tests).

Year 2023 meant the year in which, following the certification/recertification inspection, carried out in July 2023, the manufacturing flows from the two workplaces: 99 Logofatul Tautu street, and 202-232 Gura Badicului street were recertified by the National Agency of Medicines and Medical Devices, in accordance with the rules of good manufacturing practice. Still after the inspection carried out by the National Agency of Medicines and Medical Devices, the certification of manufacturing flows of tablets, and soft capsules, from the 202-232 Gura Badicului street workplace for the manufacture of drugs for



clinical investigation was achieved. The certification was necessary as a requirement to prepare Biofarm's product files, in order to register on foreign markets of interest.

Through our day-to-day activities, we ensure that we permanently comply with the requirements of the Good Manufacturing Practice Rules in the pharmaceutical industry.

Biofarm company, as a result of the audit carried out by the certification body SRAC – IQNet partner, obtained the certificate RO - 0187/17.03.2023, which proves once more that Biofarm has implemented and maintains a quality management system in accordance with the requirements of the ISO-13485:2016 standard for medical devices. During November 2023, the surveillance audit was being carried out in accordance with the requirements of standards 9001:2015, 14001:2015 and the certification audit in accordance with the requirements of standard 45001: 2018 - health and safety at work, by the certification body TUV Austria GMBH. Thus, Biofarm company owns the necessary certifications for an integrated management system: quality, environment, health and safety.

The subscribed share capital of the company on 31 December 2023 was of lei 98,537,535, the nominal value of a share being of lei 0.1/share.

The shareholding structure on 31.12.2023 was the following:

Shareholder	Shares	Percentage (%)
S.I.F. MUNTENIA S.A., BUCHAREST	508,231,323	51.5774
S.I.F. BANAT- CRISANA S.A., ARAD	362,096,587	36.7471
Natural persons	100,491,893	10.1983
Legal persons	14,555,547	1.4772
<b>Total</b>	<b>985,375,350</b>	<b>100</b>

**Specification of the date of establishment of the commercial company;**

BIOFARM S.A. was established by the G.D. 1224 of 23.11.1990.

**Description of any significant merger or reorganization of the commercial company, of its branches or controlled companies, during the fiscal year;**

On 31.12.2023, the company had the following working points:

- ✓ Bucharest, 3<sup>rd</sup> District, 99 Logofatu Tautu, headquarters
- ✓ Bucharest, 1<sup>st</sup> District, 42-44 Iancu de Hunedoara boulevard, tax identification number 14008268;
- ✓ Bucharest, 3<sup>rd</sup> District, 202-232 Drumul Gura Bădicului street, tax identification number 30037915.



### **1.1. General Assessment Elements:**

#### **Market share held:**

Biofarm S.A. is one of the first ten manufacturers of drugs and food supplements in Romania.

By an uninterrupted activity of over 100 years, with experience in research and development, Biofarm S.A. enables itself to innovate and launch new and improved products at a rapid pace to meet the needs of its customers and maintain between the market leaders in pharmaceuticals industry.

Currently, BIOFARM S.A. is one of the top 10 manufacturers on the pharmaceutical market in Romania, a dynamic and very competitive market. Thus, the company is now dedicated to constantly improving the quality of its products and meeting international quality and safety standards, which gives it a long-term competitive advantage.

Biofarm S.A. owns two drug factories in Bucharest and one product testing and development unit, and its portfolio of over 100 products covers the most important therapeutic areas in the Consumer Healthcare division (digestive & metabolic, respiratory & ENT, cardiovascular & circulatory, nervous system, vitamins).

During 2023, Biofarm S.A. placed the 2<sup>nd</sup> on the Consumer Healthcare (CHC) segment, in terms of the number of units sold. In value, Biofarm consolidated sales to final consumer in the CHC segment generating an increase of 15% compared to 2022, over the pace of increase generated by the entire segment, placing the 4<sup>th</sup> in terms of value, at pharmacy acquisition price reported.

Biofarm is the market leader in terms of volumes in the reference categories of eight of its brands: Bixtonim, Colebil, Triferment, Sennalax, Extravalerician, Carmol, Carbocit and Nervocalmin.

Furthermore, during 2023, an important contribution to Biofarm's performance was generated by the increase in sales of active brands in the most important CHC categories from a potential point of view – cold & flu and pain management. The continuous development of new products, constantly adapted to the continuous diversifying needs of consumers, is one of the growth pillars of Biofarm company.

During 2023, 11 new products were launched on the market, Nonflatin, in the bloating category, Septosol drops in the respiratory & ENT category, and 9 more products in the Bioland range – Bioland Ginkgo Biloba, Bioland Ginkgo Biloba + Mg, Bioland Zinc, Bioland Venolex, Bioland Venolex Plus, Bioland TriOmega, Bioland Vitamin E, Bioland Vitamin A and Bioland Rehydro rehydration salts.

The results obtained by Biofarm S.A. during 2023 are reflected by the sustained efforts of the company towards innovation, quality, and client satisfaction.

Investments in research and development stays the main priority at Biofarm, in order to be able to continuously meet the ever-changing consumer's needs.

The continuous development of new and revolutionary products is one of the key growth pillars of Biofarm S.A., which will strengthen the company's leading position in the pharmaceutical industry.

The net sales revenues in 2023 were of lei 280,288,775, an increase of 1% as compared to the same period of 2022.



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

Operating expenses	31 December 23	For the period end on 31 December 22
Raw materials and consumables	48,627,428	51,283,171
Personnel expenses	52,807,548	47,796,973
Depreciation	14,518,395	13,507,049
Other operating expenses	89,097,966	94,671,620
<b>Total</b>	<b>205,051,337</b>	<b>207,258,813</b>

The net operating result for 2023 is increasing by approximately 1%, as compared to the same period last year, while the net profit of the company registered an increase of approximately 9%.

The profit tax expense of 2023 was worth lei 10,247,470 as compared to lei 12,288,635 recorded during the similar period of 2022.

### Liquidity and money available in the account

On 31 December 2023, the general liquidity rate was 4.70, increasing as compared to the previous year mainly due to the increase of current assets. Cash availability on 31 December 2023, according to the balance sheet, represents money deposited into current bank accounts or in deposit accounts with Romanian banks.

## 1.2. Assessment of the Technical Level of the Commercial Company

### Description of the main products realized and/or services provided:

#### a) main markets for each product or service and distribution methods

The sales of Biofarm S.A. products are mostly made to 5 national distributors, this segment representing approximately 97% of the total Biofarm sales both in volume and in value.

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

Thus, Biofarm S.A. has a team specialized in the promotion of own products in the most important pharmaceutical chains and a promotion team specialized in supporting visits to medical doctors through integrated marketing, media and commercial campaigns for the purpose of increasing the degree of recognition of Biofarm products portfolio among health professionals.

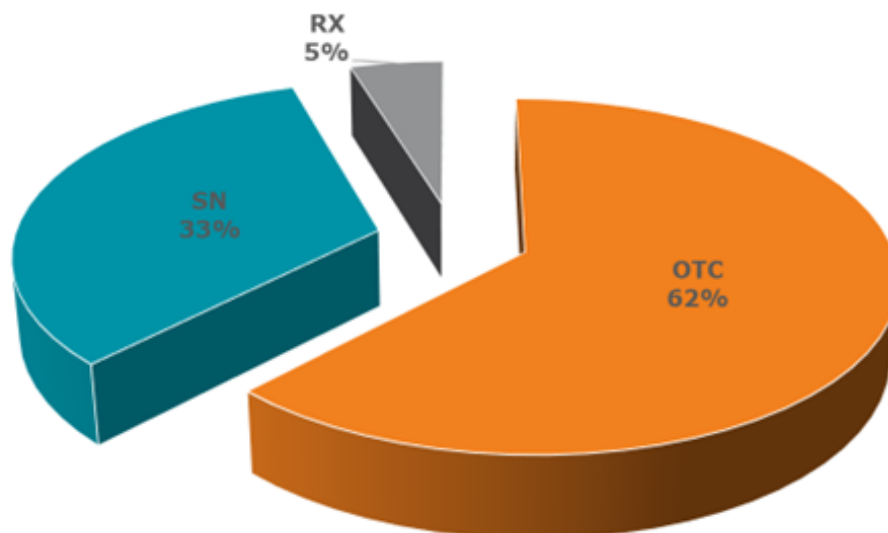
#### b) share of each category of products or services In the revenues and in the total turnover of the commercial company

The share, in (RON) value, of the three categories of products manufactured by Biofarm S.A. over-the-counter drugs ("OTC"), food supplements ("SN") and prescription drugs ("RX") is the following: over-the-counter drugs (OTC) with a share of 62%, food supplements (SN) with a share of 33% from the company portfolio, and the share of prescription drugs (RX) is of 5%.





**Share of category of products in BIOFARM portfolio - Value**



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

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

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

Biofarm's development strategy includes internally developed products such as Biofen Extra, a combination of ibuprofen and paracetamol. The new product development center becomes very important, as the company plans for the next 5-7 years include a series of new product formulas that will be launched on the market.

The development of new products will be one of the future growth engines.

**1.3. Evaluation of the Technical-Material Supply Activity (Indigenous Sources, Import Sources)**

The main objectives of the supply activity were:

- keeping acquisition costs under control
- due to global price increases, it was decided to create safety inventories for raw materials and primary packaging materials
- identification of new potential partners
- reanalysis and renegotiation of contracts/commercial conditions offered by suppliers to reduce prices in some raw materials and materials
- increasing the payment terms of internal and external suppliers to obtain longer credit periods.

The main suppliers of raw materials and packaging were re-evaluated to ensure the best possible added value for the company, a quality-price ratio being thus obtained, but also the optimal payment conditions for the company. Additionally, Biofarm identified a series



of new alternative manufacturers with whom we will start the collaboration after the necessary approvals from relevant authorities.

#### **1.4. Evaluation of the Sales Activity**

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

The turnover achieved by Biofarm S.A. in the year 2023 from the sale of finished products and goods was worth lei 280,288,775. This turnover is generated mainly from sales of end products directly to the main pharmaceutical distributors (for internal payment) by the outlet of Bucharest, str. Drumul Gura Bădicului nr. 202-232, sector 3, Bucharest.

In 2023, the share of export sales represented approximately 3% of Biofarm S.A.'s total net sales. The company's products were exported to 7 countries: Azerbaijan, Albania, Georgia, Iraq, Kyrgyzstan, Hungary and Republic of Moldova.

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

During recent years, the pharmaceutical industry, but not only, faced multiple challenges. From the sanitary crisis caused by the pandemics to the rising costs of energy, raw materials, packaging, supply chain problems in terms of raw materials and packaging, as well as the lack of products to treat cold and flu symptoms. In this context, Biofarm S.A. achieved great results and was able to secure the necessary inventories and help cover the shortfall of cold and flu products by efficiently managing production and distribution.

Increasing competition and the entry of international players into the market is also a challenge. To cope, Biofarm S.A. has invested over 44 million euros, to date, in one of the most modern pharmaceutical factories in Romania, which covers an impressive area of over 10,000 square meters and has four production streams – tablets / film-coated tablets / dragees, soft capsules, solutions and syrups. This state-of-the-art factory is a key element in achieving the company's strategic goals, which include portfolio development through line extensions, new product launches and expansion into foreign markets.

Biofarm is dedicated to providing high-quality products, and this production facility allows it to strengthen its market position and expand its activity into new territories.

Care and respect for consumers and Biofarm S.A. team are values we believe in and every time we have shown that these principles are confirmed by tangible facts.

##### ***c) Description of any significant dependence of the commercial company on a single customer or on a group of customers whose loss would have a negative impact on company's revenues***

Biofarm S.A. company has sales contracts concluded with the main distributors on the Romanian pharmaceutical market, who have a good sales power in pharmacies.

During 2023, Biofarm S.A. had contracts concluded with the main distributors on the drugs and food supplements market, which generated a total of approximately 97% of turnover.

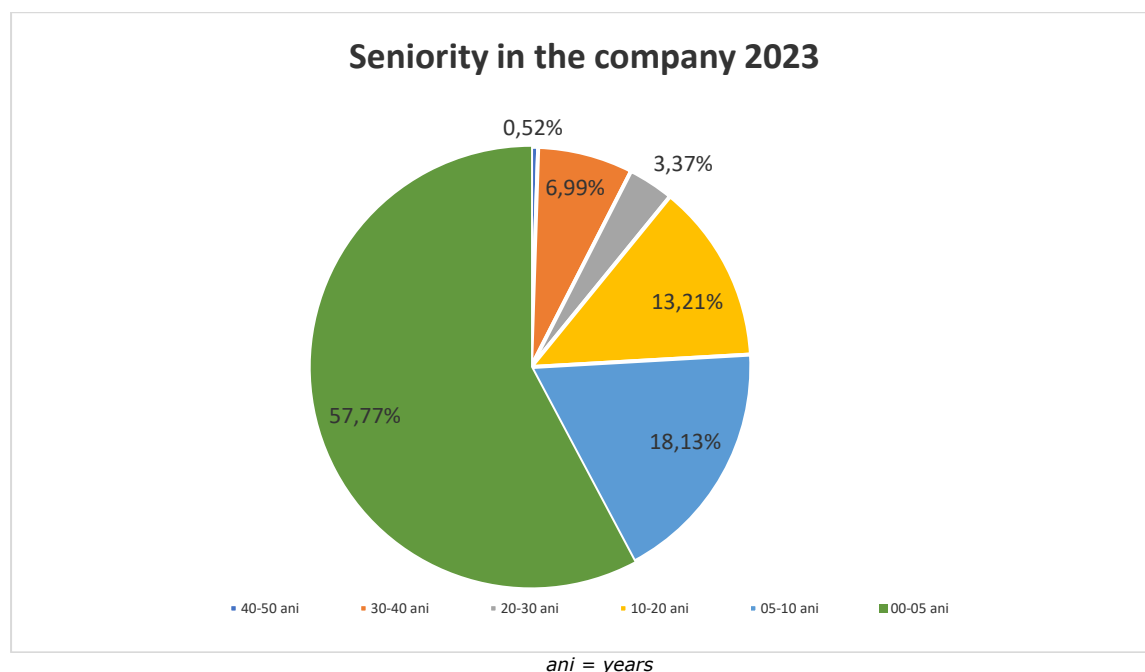
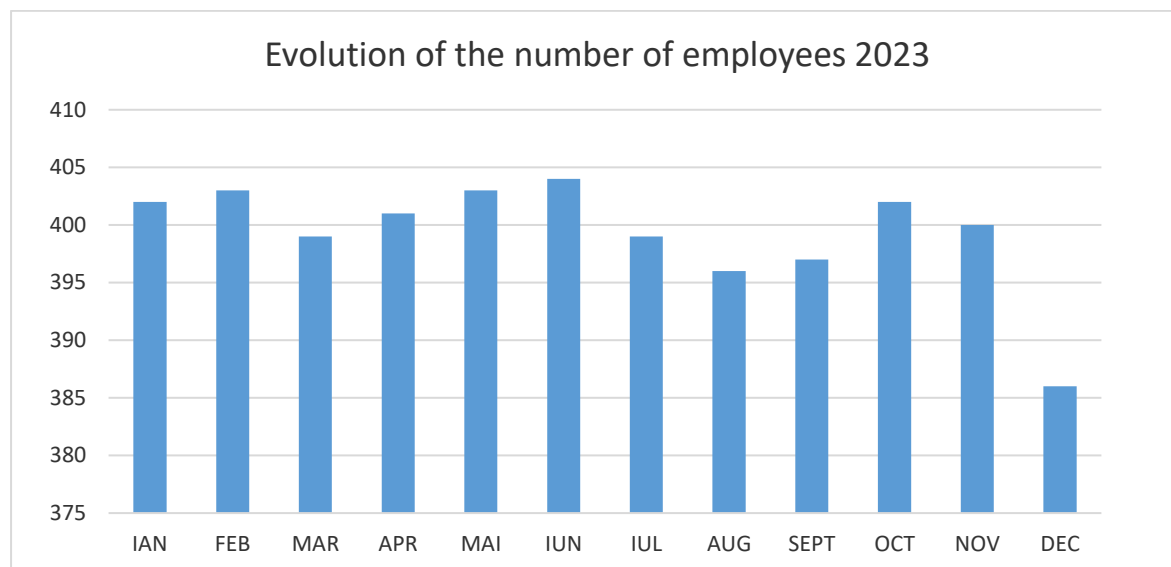


### 1.5. Assessing the aspects related to the employees/personnel of the commercial company

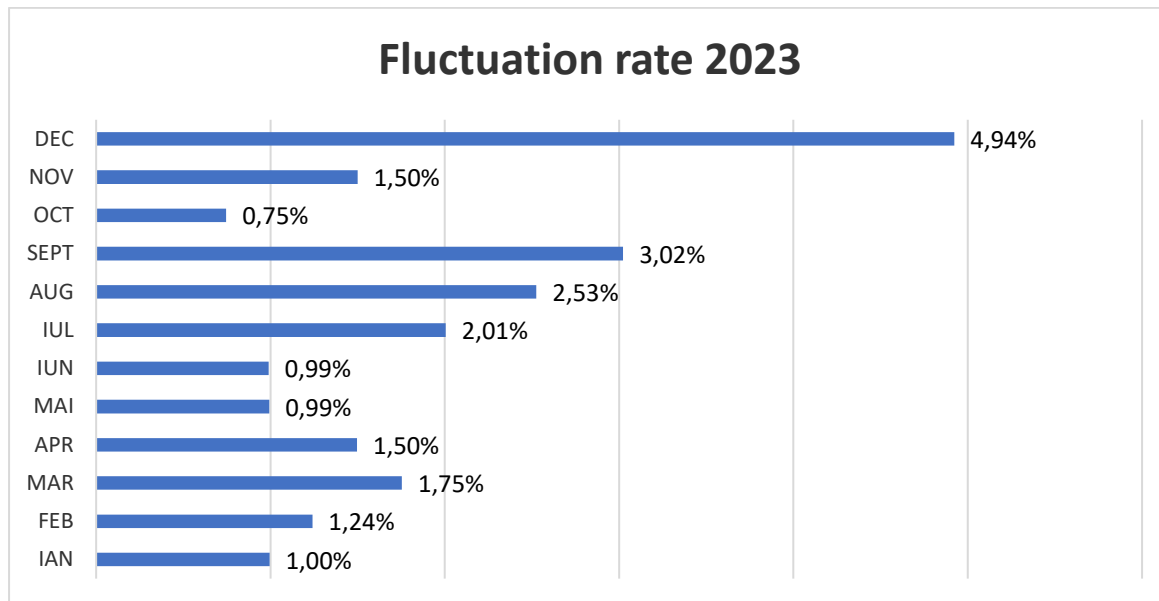
During 2023, Biofarm S.A. had an average number of 399 employees.

#### **General Information**

##### **Personnel demographic indicators:**



**Fluctuation rate 2023:**



**Main directions of activity:**

**1. Recruitment and Selection**

The recruitment and the selection process continued to be a priority of human resources department throughout 2023. In line with the company's mission, vision, and values, and selection process aimed to attract new employees to strengthen the company's organizational structure. The main challenge was, further, to identify candidates with experience in the pharmaceutical market, suitable for the open roles. To face these challenges, the Human Resources Department has various resources and options at its disposal, so as to reach as many candidates as possible, to meet as many people as possible in interviews, in order to identify "the right person at the right place".

**2. Training and Development**

The training programs designed for 2023 come to respond to the development and learning needs of our colleagues, so as to bring a significant contribution to their performance. The integration plan of the new employees has the role of ensuring the accommodation of newcomers in the team and company, but also of their retention in the medium and long term, thus, in addition to the integration plan, the training and development programs come to complete the knowledge, skills and abilities of the company's employees so that they can perform and bring maximum results. As every year, the GMP, Risk Management, Pharmacovigilance, Stock Market, Data Protection and Competition trainings are a priority for Biofarm S.A. employees, and they take place according to the annual plans.

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

**3. Future Directions of Action**

The Human Resources Department is a strategic partner for the company, which contributes to the achievement of organizational objectives and to the increase of employee performance through the permanent improvement of human resources



processes and policies, and by adapting to the trends of the business environment in which we operate.

For performance, it is necessary to keep key employees and at the same time to attract candidates who can easily integrate into our team and together contribute to a safe working environment and a healthy organizational culture that ensures all the prerequisites for exceptional results. The learning programs played an important role in 2024 as well, contributing to the permanent development of our employees.

It is important to remain a desired employer, as a result, we emphasize a healthy organizational culture that attracts talented and willing candidates to work within our company. We will continue to organize practice programs for pupils and students from high schools and specialized faculties to meet both their learning needs, and above all, those who later wish to work with us, as well as other projects of interest for employees and the company.

In the context of increased competitiveness on the labor market and workforce mobility, a strong employer brand is the key to keeping and attracting the best specialists.

#### **4. Aspects regarding Occupational Safety and Health**

The management at the highest level of the Company, in compliance with the provisions of Law 319/2006 on occupational safety and health, of the Methodological norms of application, allowed the continuous monitoring of performances of the occupational health and safety system and the performance of the necessary corrections, PPE quality, improvement of work conditions and the Occupational Safety and Health instructions.

##### **Information and training of workers:**

- ✓ Permanent provision of the OSH and ES training activity, introductory-general employment, on-the-job training and periodic training for all employees, according to the legal provisions (OSH - Law 319/2006 on occupational health and safety, Methodological norms for the application of law).
- ✓ The introductory-general training and testing of the new employees were carried out, according to the legal provisions.
- ✓ Regular training is continued for both employees and collaborators.
- ✓ The training of the persons assigned with granting first aid at the work place and of those that are part of the intervention team in case of fire was carried out.

##### **Microclimate:**

- ✓ There was a constant concern for ensuring 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.

##### **Occupational medicine coordination:**

- ✓ The collaboration with the specialized medical services was continued for the implementation of the medical supervision program upon employment and periodically, for the entire personnel.
- ✓ The monitoring of health and of the work capacity of employees was maintained, for preventive and corrective purposes, by the performance of periodic analyses.



- ✓ Specialized monitoring was performed for the mentions in the skills assessment reports.
- ✓ All these measures emphasize the permanent involvement of the management, of the Prevention and Protection Service.

**Events reported during 2023:**

- ✓ Work accidents – 1.
- ✓ Minor accidents, which resulted in incapacity for work for a period of less than 3 days – 0.
- ✓ Dangerous incidents – 0.
- ✓ Occupational diseases – 0.

**5. Aspects related to Emergency Situations**

During 2023, the organization's continued interest and concern for environmental protection activities was maintained in order 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 new manufacturing capacities, only those responsible development measures were promoted, which allow monitoring and control of the impact of the activity on environmental factors. For the emission reduction equipment from the head office (the wet/dry filtration elements for atmospheric emissions, dispersion chimneys, wastewater treatment equipment - treatment plant), the use, their operation within the designed parameters was provided. For the mentioned equipment, maintenance was carried out according to the applicable technical procedures. No environmental incidents/accidents, accidental pollution of environmental factors was recorded on this equipment or on other related equipment.

The steps to control the impact on environmental factors also continued by the payment to the Environmental Fund Administration (established according to European principles "polluter pays" and "producer's responsibility", in order to implement the environmental protection legislation, harmonized with the provisions of the Acquis Communautaire), of the legal obligations regarding emissions, packaging placed on the market and the purchase of hazardous chemicals for the environment.

During 2023, the steps taken to reduce and comply with the legal requirements of all environmental factors (waste, emissions, wastewater, noise) continued, which made possible the absence of any sanctions, penalties, environmental surcharges, as well as preserving the positive image of the company, as a company actively involved in environmental protection.

**A. Renewal, Updating and Maintenance of Related Documents:**

Biofarm S.A. obtained the renewal/endorsement of licenses/related authorizations to be able to carry its activity according to the legal requirements in 2023 as well.

During 2023, the contract of transfer of responsibility for the recovery from the market of packaging (packaging waste), minimizing the environmental impact by the recovery from the market of packaging waste, according to the requirements of the legislation in force. The packaging placed on the market were declared with the Environmental Fund Administration and a fee of 2% was paid to the Environmental Fund Administration from the value of the substances classified by normative acts as being dangerous for the environment, purchased from imports.



## **B. Achieving the Imposed Monitoring:**

In 2023, the monitoring of environmental factors continued, in compliance with the legal obligations, both at the working point on 99 Logofătul Tăutu street, in Bucharest, and at the working point on 202-232 Drumul Gura Bădicului street, Bucharest 3 (wastewater, emissions, noise), generated waste, hazardous chemicals (owned, purchased and used). The obtained results demonstrated the compliance of the level of all environmental factors (wastewater, emissions) within the maximum allowed limits established by the legal requirements in force. Monitoring of environmental factors was performed by RENAR authorized/accredited laboratories.

## **C. Environmental Protection Measures, Endowments and Arrangements:**

In both working points, the evacuation of powders is done only by their retention installations, so as to ensure that the maximum permissible concentrations provided by the regulations in force are observed, and the waste gas is discharged only through dispersion chimneys, monitoring the contents of residual gas, so as not to exceed the limit values allowed by the regulations in force.

The discharge of technological wastewater was carried out through the treatment plants in both working points, so that their content falls within the required limits.

Control and preventive maintenance works were carried out at all installations with a role in mitigating pollutant emissions to air and water (dry and wet filtration elements, but also at treatment plants in both work points).

For both work points, the organizational and technological measures for a good functioning continued, with the maintenance of low energy and water consumption values (control monitoring and preventive maintenance, at the chiller installation, treatment with water conditioning solutions introduced in steam boilers and cooling installations, technical inspection of drilling and proposals for the application of technical measures to adjust operating costs).

Interest was maintained in reducing the use of hazardous chemicals in specific processes and in promoting and developing the use of raw materials, materials, preparations from renewable (biological) or biodegradable resources.

In 2023, the implementation of the provisions of Law 211/2011 on the waste regime continued, as further amended and supplemented, implicitly the "Waste Management" internal procedure.

All waste generated by the company's activity in both working points were classified and coded 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.

To be compliant with the legal requirement for the separate collection of paper waste, plastic waste, were placed containers in the offices and related spaces for separate collection of paper, plastic waste, apart from those existing in the interior yard of the company (containers on dedicated colors: blue-paper, yellow-plastic, green-glass) and those existing on each production flow, auxiliary activity, respectively administrative.

The entire waste generated at company level in both working points were temporarily stored in a warehouse with separate spaces for all the categories of waste (recyclable, hazardous, non-hazardous waste, WEEE)/ containers for hazardous, non-hazardous and



recyclable waste and prepared from the point of view of final packaging for their delivery for recovery or final disposal, to authorized economic operators, based on the contracts concluded with them.

During 2023, we continued to selectively collect the main types of recyclable waste (paper, plastic, glass).

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

The purchase of cars in the car fleet that corresponded to the required, safe and emission limits within the allowed limits continued to be purchased.

The vegetation on the area with the destination of green space was maintained, both from the head office and from the platform in Bucharest, str. Drumul Gura Bădicului, nr. 202-232. To this latter emplacement, pre-treatment plants contributed with a significant flow of water to the need for watering green spaces.

The part intended for internal traffic was maintained, including paving with ecological tiles. Maintenance works were carried out for the sewerage network, for the connections by sanitizing them according to the Regulation for the Maintenance and Operation of water-sewerage networks.

Both at the working point on 99 Logofătul Tăutu Street and at the one on 202-232 Gura Bădicului Street, monthly rodent control and disinsection operations were carried out, on a monthly basis, under a contract with an economic operator approved for this activity.

All the steps, the organizational and technological measures carried out, led to the maintenance of the authorizations and related documents, to the avoidance of fines and penalties.

## **1.6. Evaluation of the Research and Development Activity**

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

In 2023, the activity of registration/re-registration of the products in the portfolio comprised a series of MA renewals for drugs, new MA and reformulations in Romania, as follows:

- ✓ 9 new MAs.
- ✓ 2 MAs renewals.
- ✓ 12 new registration certificates for food supplements at the Ministry of Health, IBA and INSP;

In what concerns the EXPORT activity, during 2023 were registered 3 new certificates were registered for food supplements, 14 MAs.

Currently, Biofarm company has a portfolio of 62 drugs, 5 medical devices (3 internal + 2 external) and 231 food supplements (total notified to date).





### **1.7. Evaluation of the Activity of the Commercial Company regarding Risk Management**

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

The overall management objective is to establish policies that try to reduce the risk as much as possible without unjustifiably affecting the competitiveness and flexibility of the Company. Additional details regarding these policies are established below:

#### ***Credit Risk***

Credit risk is the risk that Biofarm SA may suffer a financial loss as a result of the non-fulfillment of contractual obligations by a client or a counterparty to a financial instrument, and this risk results mainly from the Company's trade receivables.

The company applies specific policies to ensure that the sale of products is carried out in such a way that the commercial credit granted is appropriate and continuously monitors the age of receivables. In this sense, measures were taken to verify the creditworthiness of clients and the Company's exposure to credit risk, as well as to insure claims with specialized companies. At the company level, there is a Commercial Policy, approved by the Board of Directors. In the latter, the commercial conditions of sale are clearly presented and there are conditions imposed in the selection of clients.

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

The collection period of net receivables is, on average, of 102 days. 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.

The company allows for a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor was put into liquidation or became insolvent. Allowed financial assets may still be subject to enforcement activities according to the Company's recovery procedures, considering legal advice, where appropriate. Any recoveries made are recognized in profit or loss.

Cash and cash equivalents are placed only in first-rate banking institutions, considered to have high solvency.

#### ***Liquidity Risk***

Liquidity risk is the risk that Biofarm SA may encounter difficulties in meeting the obligations associated with financial debts that are settled in cash. The Company's approach to liquidity risk is to ensure, to the extent possible, that at all times it holds sufficient liquidity to meet its debts when they become due, both under normal and difficult conditions, without incurring significant losses or endanger the Company's reputation.

In general, the Company ensures that it owns sufficient cash at hand to cover expected operational expenses, including the payment of financial obligations.



In order to manage liquidity risk, cash flows are monitored and analyzed quarterly and annually in order to establish the estimated level of net changes in liquidity.

At the end of 2023, the company has enough liquid resources to honor its obligations in all the reasonable circumstances envisaged. A significant amount of the company's cash availability is kept in banks in the form of term bank deposits. The banks where the company owns bank accounts and term deposits are periodically analyzed by the company's management.

The company has no outstanding obligations to the state budget.

### ***Market Risk***

Romanian economy is in continuous development, and there is a lot of uncertainty regarding the possible directions of politics and economic development in the future. The Company's management cannot foresee the changes that will take place in Romania and their effects on the financial statements, on the operating results and the treasury flows of the company.

### ***Foreign Exchange Risk***

Biofarm SA is exposed to currency exchange risk through its sales, purchases and availability which are denominated in currencies other than the Company's functional currency, however the currency in which most transactions are carried out is RON.

The currencies that exposes the Company to this risk are, mainly EUR, and USD. The different results are included in the Statement of the overall result and do not affect the cash flow until the time of liquidation of the debt. As at December 31, 2023, the company had cash, trade receivables and trade debts in foreign currency, the rest of the financial assets and financial liabilities are denominated in lei.



### **1.8. Elements of Perspective regarding the Activity of the Commercial Company**

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

Economic-financial indicators:

<b>CAPITAL PROFITABILITY AND RETURN</b>	<b>31 December 23</b>	<b>31 December 22</b>
<b>Efficiency of available capital</b>		
Profit before interest and tax (A)	76,829,545	77,742,038
Available capital (B)	435,310,476	380,890,692
<b>A/B</b>	<b>17.65%</b>	<b>20.41%</b>
<b>Equity efficiency</b>		
Net profit (A)	77,012,898	70,917,262
Equity (B)	434,411,126	380,055,571
<b>A/B</b>	<b>17.73%</b>	<b>18.66%</b>
<b>Operational profit rate</b>		
Profit before interest and tax (A)	76,829,545	77,742,038
Operating income (B)	281,880,882	285,000,851
<b>A/B</b>	<b>27.26%</b>	<b>27.28%</b>
<b>Net profit rate</b>		
Net profit (A)	77,012,898	70,917,262
Total revenue (B)	288,762,655	288,139,122
<b>A/B</b>	<b>26.67%</b>	<b>24.61%</b>
<b>Total assets rate</b>		
Profit before interest and tax (A)	76,829,545	77,742,038
Total assets (B)	493,813,612	466,536,087
<b>A/B</b>	<b>15.56%</b>	<b>16.66%</b>
<b>SOLVABILITY</b>	<b>31 December 23</b>	<b>31 December 22</b>
<b>Debt rate</b>		
Total obligations (A)	59,402,486	86,480,516
Total assets (B)	493,813,612	466,536,087
<b>A/B</b>	<b>12.03%</b>	<b>18.54%</b>
<b>Rate of financial autonomy</b>		
Equity (A)	434,411,126	380,055,571
Total assets less net current liabilities (B)	435,310,476	380,890,692
<b>A/B</b>	<b>99.79%</b>	<b>99.78%</b>



**LIQUIDITY AND WORKING CAPITAL**

	<b>31 December 23</b>	<b>31 December 22</b>
<b>General liquidity rate</b>		
Current assets	275,149,604	273,980,106
Current obligations	58,503,136	85,645,395
<b>(A/B)</b>	<b>4.70</b>	<b>3.20</b>
<b>Rapid liquidity rate</b>		
Current assets	275,149,604	273,980,106
Inventories	57,953,909	56,654,482
Current obligations	58,503,136	85,645,395
<b>(A-B)/C</b>	<b>3.71</b>	<b>2.54</b>
<b>Client collection period</b>		
Net trade receivables (A)		117,664,031
	79,051,128	
Net turnover (B)	280,288,775	276,982,692
<b>(A/B)*360 days</b>	<b>102</b>	<b>153</b>
<b>Period of inventory immobilization</b>		
Inventories of end products and merchandise (A)	71,378,357	68,924,439
Net turnover (B)	280,288,775	276,982,692
<b>(A/B)*360 days</b>	<b>92</b>	<b>90</b>
<b>Period for suppliers' payment</b>		
Suppliers (A)	35,166,895	46,417,359
Material and external expenses (B)	160,015,187	166,523,675
<b>(A/B)*360 days</b>	<b>79</b>	<b>100</b>

**b) Presentation and analysis of the effects of capital, current or anticipated expenditures on the financial situation of the commercial company, as compared to the same period last year**

On 31 December 2023, the statement of non-current assets held by Biofarm S.A. is presented as follows:

<b>TANGIBLE ASSETS</b>	<b>31 December 23</b>	<b>31 December 22</b>
Lands and constructions	75,801,778	67,921,504
Technical installations and machines	61,934,666	66,571,085
Other installations, machinery and furniture	1,556,680	1,825,222
Tangible assets under execution	54,423,206	34,613,040
<b>TOTAL</b>	<b>193,716,330</b>	<b>170,930,851</b>

In 2023, the value of acquisitions of tangible assets was of lei 29,842,137. Tangible assets, respectively "Tangible assets under execution" increased due to signing the agreement, in the first part of 2023, for production equipment necessary to increase the production capacity in 202-232 Drumul Gura Bădicului street, Bucharest 3.



## 2. Tangible Assets of the Commercial Company

### **2.1. Specifying the location and characteristics of the main production capacities in the property of the commercial company. Description and analysis of the degree of wear of the properties of the commercial company.**

Land and Buildings are revalued on a regular basis so that the market value does not differ significantly from the accounting value. The revaluation of lands being in the company patrimony was carried out by an associate member of the of the National Association of Authorized Romanian Valuers (ANEVAR) on 31 December 2023

The production activity of the company continued to be realized on the manufacturing flows, GMP (Good Manufacturing Practice) certificates, structured depending on the pharmaceutical forms that are produced and namely:

- forms of solid flows – coated tablets and sugar-coated tablets.
- flows of soft capsules.
- liquid flows.
- flows of chewable tablets.

Also, were authorized the flows located in 202-232 Drumul Gura Bădicului street, Bucharest 3:

- flow of solid forms – tablets, film-coated tablets and sugar-coated tablets.
- flow of soft capsules.

The quality of products is provided by the manufacture in compliance with the GMP requirements for all the company drugs.

The quantifiable production objectives are oriented towards activity efficiency and the optimization of costs by:

- the accomplishment of the production plan.
- the classification within the allocated budget.
- the classification the specific consumption of utilities per unit on each manufacturing flow.

Also, in order to accomplish 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. Reducing consumption is achieved by working in campaigns and using manufacturing equipment at maximum capacity.

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

In 2023, the packaging of all drugs that are subject to Regulation EU 2016/161 of the Commission of 02.10.2016 supplementing Directive 2001/83 / EC of the European Parliament (released with prescription) on the three packaging lines continued:

- Tablets/Soft capsules.
- Solutions.
- Syrups.



### **Investment in the New Factory**

During 2023, installation works continued (utility connection: technological steam, chilled water, sewage, purified water).

The contract for the purchase of a new tablet machine was signed.

Additionally during 2023, the project for the liquid preparation line, from the new factory, continued. In this sense, the contracts for the connection to the utilities (technological steam, sterile steam, purified water, compressed air, cooling agent, sewage) and the installation for the production of the cooling agent for the preparation vessels related to the new manufacturing line were signed.

The contract for the purchase of an oil-free compressed air compressor-dryer assembly was signed in order to support the utility needs in the perspective of increasing the production capacity in the new factory.

#### **2.2. Specifying the potential issues related to the property right over the tangible assets of the company**

On 31 December 2023, did not have an ownership title over the and in use of 99 Logofățul Tăutu street, Bucharest 3.

The land in use of 99 Logofățul Tăutu street, Bucharest 3 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 attesting the ownership right over the land for all the lands necessary to carry out the activity according to the activity object.

The land value for which a certificate attesting the ownership right will be obtained, will be established based on the legal provisions. With the value of the lands, the share capital of the Company will be increased, and the shares will become the state property. The dilution effect will be taken into account in calculating the diluted earnings per share.

### **3. Market of Securities Issued by the Commercial Company**

#### **Specifying the markets in Romania and from other countries on which the securities issued by the commercial company are negotiated.**

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

#### **Description of the activity of the commercial company regarding the dividends. Specifying the dividends due/paid/accumulated in the last 2 years.**

##### **Profit distribution of year 2021**

On 31 December 2021, Biofarm S.A. recorded a net profit in the amount of lei 60,355,769, which was distributed as follows:

Dividends	lei 23,649,008	39%
Retained earnings	lei 36,706,761	61%
<b>Profit net 2021</b>	<b>lei 60,355,769</b>	<b>100%</b>



### **Profit distribution of year 2022**

On 31 December 2022 Biofarm S.A. recorded a net profit in the amount of lei 70,917,262, which was distributed as follows:

Dividends	lei 29,561,261	42%
Retained earnings	lei 41,356,001	58%
<b>Net profit 2022</b>	<b>lei 70,917,262</b>	<b>100%</b>

### **Description of any activities of the commercial company for the purchase of own shares.**

Following the increase of the share capital by incorporating the profit related to 2006, a number of 8,126 shares remained, which could not be distributed according to the allocation rate. These shares were allocated by the Depozitarul Central to the company. On 31 December 2023, Biofarm S.A. held 8,126 own shares.

### **If the commercial company has branches, specifying the number and the nominal value of shares issued by the parent company held by the branches.**

The company has no active branches in the country or abroad.

### **If the commercial company issued bonds and/or other debt securities, presentation of the manner in which the company pays its obligations to the holders of such securities.**

Biofarm S.A. did not issue in 2023 bonds or other debt securities.

## **4. Management of the Commercial Company**

### **The composition of the Board of Directors was the following:**

- The Board of Directors of BIOFARM S.A. during the period 01.01.2023 – 31.12.2023 was composed of:
  - Andrei HREBENCIUC – B.D. Chairman
  - Bogdan Alexandru DRĂGOI – B.D. Member
  - Nicușor Marian BUICĂ – B.D. Member
  - Cătălin Constantin VICOL – B.D. Member
  - Rachid EL LAKIS – B.D. Member



<b>Surname/First Name</b>	<b>ANDREI HREBENCIUC</b>
<b>Date of birth</b>	27.06.1984
<b>Professional qualification</b>	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
<b>Professional experience</b>	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

<b>Surname/First Name</b>	<b>BOGDAN ALEXANDRU DRĂGOI</b>
<b>Date of birth</b>	27.05.1980
<b>Professional qualification</b>	University of Tufts, Fletcher, Boston, Massachusetts Specialisation in International Relations - graduated Magna cum Laudae Specialisation in Economics - graduated Magna cum Laudae Member of the Golden Key Honour Society
<b>Distinctions</b>	National Order of the Star of Romania - Knight grade Sovereign Military Order of Malta - Order pro Merito Melitensi
<b>Professional experience</b>	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





<b>Surname/First Name</b>	<b>BUICĂ NICUȘOR MARIAN</b>
<b>Date of birth</b>	16.02.1975
<b>Professional qualification</b>	1994 - 1997 – “Politehnica” University of Bucharest, Associate Degree in Engineering, Mechanical Field of Study, Materials and Defectoscopy Specialisation
	1998 - 2003 – University of Craiova, Faculty of Economics, Degree in Economics, Economics Field of Study, Financial and Banking 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
<b>Professional experience</b>	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 – executive Manager - Elpreco S.A.
	2007 – July 2009 – Leader (Deputy Manager) - Active International SA
	January 2008 – May 2009 – Business Manager – Apolodor Com Impex
	July 2010 - June 2012 – Chairman of the Board of Directors, Dunapref SA
	June 2012 - November 2012 – Counsellor of the Secretary of State, Ministry of Environment and Climate Change
	March 2013 - March 2014 – Secretary of State, Ministry of Transport
	August 2014 - December 2014 - Delegate Minister Counsellor for 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 – Secretary of State, Ministry of European Funds
	June 2016 – December 2016 – Member of the Board of Directors, Swiss Capital SA
	May 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	



<b>Surname/First Name</b>	<b>VICOL CATALIN CONSTANTIN</b>
<b>Date of birth</b>	16.11.1974
<b>Professional qualification</b>	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)
<b>Professional experience</b>	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.

<b>Surname/First Name</b>	<b>RACHID EL LAKIS</b>
<b>Date of birth</b>	20.06.1996
<b>Professional qualification</b>	2014 - 2017 - University of East Anglia, UK – BSc Economics and Accounting 2019 - 2020 - Lancaster University, UK – MSc Finance 2016 - Internship in the “Corporate Tax” department, Bucharest - KPMG 2022 - Harvard University, Executive Leadership Program
<b>Professional experience</b>	2017 - 2019 - Financial Analyst, Bucharest - SAI Muntenia Invest S.A. 2020 - prezent - Investment Analyst, Bucharest - SIF Banat Crișana S.A. Jully 2020 - present - Member of the Board of Directors, Vrancart S.A.

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

**Any agreement, understanding or family relationship between that director and another person by virtue of which that person was appointed a director:**

N/A.

**Participation of Key management personnel to company’s issued share capital (figures in RON):**

Andrei Hrebenciuc – B.D. Chairman	5,000
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The related parties with which the company carried out its activity during 2023 are presented in Note 28 to the Financial Statements.



## 5. Financial – Accounting Statement

### 5.1. Statement of Financial Position

Description	-Lei-	
	31 December 23	31 December 22
Non-current assets	218,664,008	192,555,981
Current assets	275,149,604	273,980,106
<b>TOTAL ASSETS</b>	<b>493,813,612</b>	<b>466,536,087</b>
Current liabilities	58,503,136	85,645,395
Long-term liabilities	899,350	835,121
<b>TOTAL LIABILITIES</b>	<b>59,402,486</b>	<b>86,480,516</b>
<b>NET ASSETS</b>	<b>434,411,126</b>	<b>380,055,571</b>

Share capital and reserves	31 December 23	31 December 22
Share capital	98,537,535	98,537,535
Own shares	(813)	(813)
Premiums related to the issue/redemption of own shares	(173,154)	(173,154)
Revaluation reserves	10,622,424	3,718,507
Reserves	23,350,438	23,350,438
Retained earnings	225,061,798	183,705,796
Current result	77,012,898	70,917,262
Profit distribution	-	-
<b>TOTAL CAPITALS</b>	<b>434,411,126</b>	<b>380,055,571</b>



## 5.2. Statement of Income

Description	- Lei -	
	31 December 23	31 December 22
<b>Income from sales</b>	280,288,775	276,982,692
Other operating income	793,821	327,462
Changes in inventories	798,286	7,690,697
<i>Total operating expenses</i>	(205,051,337)	(207,258,813)
<b>Operating profit/(loss)</b>	<b>76,829,545</b>	<b>77,742,038</b>
Net financial income/(costs)	6,881,773	3,138,272
<b>Profit before tax</b>	<b>83,711,318</b>	<b>80,880,310</b>
Expenses with taxes	(6,698,420)	(9,963,048)
<b>Net profit</b>	<b>77,012,898</b>	<b>70,917,262</b>

## 5.3. Cash flow:

Description	-Lei-	
	31 December 23	31 December 22
<b>Initial balance</b>	<b>82,713,880</b>	<b>103,865,018</b>
Cash from operating activity	79,827,681	29,017,296
Cash from investments activity	(113,641,837)	(27,620,872)
Cash from financing activity	(28,239,534)	(22,547,562)
<b>Final balance</b>	<b>20,660,190</b>	<b>82,713,880</b>

## 6. Annual 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, Republished, Companies Law No. 31/1990, republished, as further amended and supplemented etc.

The company elaborated a Corporative Governance Regulation which is posted in updated form on the company website [www.biofarm.ro](http://www.biofarm.ro) in the Corporate Governance/Relationship with Investors section – Regulations and Regulations of advisory committees sub-section. The purpose of adopting the Corporate Governance Regulation is to ensure transparency, the rights of shareholders and third parties, as well as the company credibility.

The company, in compliance with Art. 94 from the Bucharest Stock Exchange Code Book I – Title II Issuers and Financial Instruments, report the stage of compliance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange, the declaration of conformity constituting an annex to this report.

Biofarm S.A. will permanently improve the activity of Corporate Governance and will seek to fulfil all the applicable legal provisions in the future as well.



## **6.1. Corporate Governance Structures**

### **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 to carry out the General Meetings of Shareholders was approved. The procedure to carry out the G.M.S. shall be modified or supplemented, as appropriate, with the legislative provisions in force on the date of each General Meeting of Shareholders individually. If there are differences between the provisions of the procedure and the applicable legislation, the legislation in force shall be applied.

The procedure regarding the exercise of the voting right by the shareholders of Biofarm S.A. company within the General Meetings of Shareholders, in an updated form (on 10.11.2022), is posted on the Company website in the Corporate Governance/Relationship with Investors section – Policies sub-section.

#### **6.1.1.1 Convening of the General Meetings of Shareholders**

The General Meeting of Shareholders may be convened by the Board of Directors, as well as upon the request of shareholders holding individually or cumulatively at least 5% from the share capital.

The convening of the General Meeting of Shareholders is carried out by the Board of Directors within maximum 30 days and shall take place within maximum 60 days from the date of receiving the request.

The convening shall be submitted to Official Gazette Publishing House (Monitorul Oficial R.A.) for publication, within maximum 5 days from the date of adoption by the Board of Directors of the decision to convene de General Meeting.

The term of the meeting may not be less than 30 days from the publication of the convening in the Official Gazette of Romania, Part IV, in compliance with Art. 117 para. (2) of Law No. 31/1990, republished.

#### **6.1.1.2 Organization of General Meetings**

In compliance with the provisions of Regulation No. 5/2018 on issuers of financial instruments and market operations, Law no. 297/2004 regarding the capital market, as further amended and supplemented, Law no. 24/2017 on issuers of financial instruments and market operations, as further amended and supplemented, Companies Law No. 31/1990, republished, as further amended and supplemented, the following procedure rules regarding the exercise of the voting right within the General Meeting of Shareholders of BIOFARM S.A. were drafted and approved.

#### **6.1.1.3 Introduction of new items on the agenda and presentation of draft resolutions for the items included or proposed to be included on agenda**

According to the provisions of Art. 117<sup>1</sup> para. (1) of Law No. 31/1990, republished and of art. 105 para. (3) of Law No. 24/2017, republished, one or more shareholders representing individually or together at least 5% from the share capital of the Company, may request (within 15 days from the date of publication of the convening) the Board of Directors of the company to introduce new items on the agenda of the G.M.S. and/or to present draft



resolutions for the items included or proposed to be included on the agenda of the G.M.S., in compliance with the following conditions:

i. In case of natural person shareholders, the requests must be accompanied by the copies of shareholders' identity documents, which must allow their identification in the company's shareholders' register held by the Depozitarul Central S.A..

ii. The quality of shareholder, as well as, in the case of legal person shareholders or of entities without legal personality, the quality of legal representative is found based on art. 194 (1) from Regulation No. 5/2018, based on the following documents presented to the issuer by the shareholder:

a) the account statement from which the quality of shareholder and the number of shares held result;

b) the documents certifying the information registration regarding the legal representative with the Depozitarul Central/respective participants.

In all cases, documents certifying the quality of legal representative drafted in a foreign language, other than English language, shall be accompanied by a translation performed by a sworn translator in Romanian or in English language.

iii. To be accompanied by a justification and/or by a draft resolution proposed for adoption;

iv. The proposals regarding the introduction of new items on the agenda and of draft resolutions proposed for the approval of the General Meeting of Shareholders must be sent/submitted and recorded within the deadline and at the Company office specified in the notice to attend of the G.M.S., in original, signed by shareholders or by their legal representatives, mentioning on the envelope in print and in capital letters: «FOR THE GENERAL MEETING OF SHAREHOLDERS OF .....».

The proposals of nominations for vacant director positions can be submitted in writing, until the date specified in the notice to attend – date of shipment – to the address specified in the notice to attend. The list comprising information regarding the name, domicile locality and professional qualification of the persons proposed for the position of director will be made available to shareholders on the website in the section dedicated to the G.M.S.

The list comprising information regarding the name, domicile locality and professional qualification of the persons proposed for the position of director will be at the shareholders' disposal, being able to be consulted (both on the Company website [www.biofarm.ro](http://www.biofarm.ro), and at the Company office) and filled-in by them.

The data regarding the domicile locality and the professional qualification will be available on the company internet page, Corporate Governance/Relationship with Investors section, G.M.S. sub-section, as they are transmitted to the company.

#### **6.1.1.4 Asking questions, in compliance with Art. 198 from the Regulation No. 5/2018 on the Items on the Agenda of the General Meetings of Shareholders**

The same identification requirements as in the case of the introduction of new items on the agenda and presentation of draft resolutions for the items included or proposed to be included on the agenda, proposals of nominations for the position of director (if the case may be), shall be also applicable to shareholders/the shareholders' legal representative who is asking questions regarding the items on the agenda of the General Meeting of Shareholders.

Each shareholder may ask questions to the company on the items on the agenda of the Ordinary General Meeting of Shareholders or the Extraordinary Meeting of Shareholders, until the date and time established and announced in the notice to attend, by a document that will be submitted/sent and registered at the Company office, in original, signed by the



shareholder or its legal representative, mentioning on the envelope in print and in capital letters: «FOR THE GENERAL MEETING OF SHAREHOLDERS OF .....».

The company may formulate a general answer to the questions with the same content that will be available on the company website in the Corporate Governance/Relationship with Investors section, Frequently asked Questions sub-section, in question-answer format.

## **Voting**

Shareholders may exercise their voting right directly, by a representative or by mail, as follows:

### **6.1.1.5 Direct voting within the General Meetings of Shareholders**

The shareholders of BIOFARM S.A. company are required to appear on the day, at the time, and in the location announced in the notice to attend at the General Meeting of Shareholders, within due time in order to be identified and to have the possibility to express their vote in all the items on the agenda.

Within the General Meeting of Shareholders, each shareholder is free to express its point of view regarding the materials afferent to the agenda and to ask for explanations where it has ambiguities. Also, any shareholder may request that the discussions be recorded in the minutes of the General Meeting of Shareholders.

The access of shareholders entitled to attend the G.M.S. is allowed by simply proving their identity, made in the case of natural person shareholders with the identity document or, in the case of represented legal persons and of natural person shareholders, with the empowerment given to the natural person representing them – except for the legal representative (who also is to present the identity document), in compliance with the applicable legal provisions and with the provisions contained in this notice to attend.

In case of legal person shareholders or of entities without legal personality, the quality of legal representative is found based on the shareholders' list from the reference date received from the Depozitarul Central S.A.. In case the shareholders' register on the reference date does not contain data regarding the quality of legal representative or they are not updated, this quality shall be proved with a confirmation of company details issued by the Trade Register, presented in original or in a certified true copy, or any other document, in original or in a certified true copy, issued by a competent authority from the state in which the shareholder is legally registered, attesting the quality of legal representative.

The documents certifying the quality of legal representative of the legal person shareholder shall be issued no more than 3 months before the publication date of the notice to attend of the General Meeting of Shareholders.

The documents certifying the quality of legal representative drafted in a foreign language, other than English language, shall be accompanied by a translation performed by a sworn translator in Romanian or in English language.

Shareholders who do not have legal competence, as well as legal persons, can be represented by their legal representatives, who, in turn, may issue an empowerment to other persons.

### **6.1.1.6 Representation based on a Special Empowerment (Power of Attorney) or General Empowerment within the G.M.S.**



Shareholders may be represented at the G.M.S. by other persons, based on a special or a general empowerment.

For this type of vote, the special empowerment (power of attorney) forms (in Romanian language or in English language) in compliance with the provisions of the applicable legislation, which will be made available by the Board of Directors of the company or by a general empowerment drafted in compliance with the provisions of Art. 202 from Regulation No. 5/2018.

Legal person shareholders or entities without legal personality attending the G.M.S. through another person than the legal representative, shall necessarily use a special or a general power of attorney, under the conditions specified above.

### **a) Representation based on special empowerment (power of attorney)**

The forms of special empowerment will be available in Romanian language and in English language starting with the date specified in the notice to attend, at the Company office and on its internet page.

If a shareholder assigns, by a special power of attorney, as a proxy, another person, the form of special power of attorney shall be used for natural persons or for legal entities, as is needed.

i. In case of natural person shareholders, special powers of attorney shall be accompanied by the copies of the identity documents of shareholders, who must allow their identification in the company's shareholders' register held by the Depozitarul Central S.A..

ii. In the case of special powers of attorney sent by legal persons, they will be signed in original by the legal representative. The quality of legal representative of the person that signed the power of attorney is found based on the shareholders' list from the reference date received from the Depozitarul Central S.A.. If the shareholders' register does not contain data regarding the quality of legal representative or they are not updated, this quality is proved with a confirmation of company details in original or certified true copy, issued by the Trade Register or any other document, in original or in a certified true copy, issued by a competent authority from the state in which the shareholder is legally registered, for a period of time that must not exceed 3 months in relation with the date of publication of the notice to attend of the general meetings, which allows the identification of the legal representative.

Shareholders shall fill-in and sign the special powers of attorney (empowerments) in three original counterparts: one for the shareholder, one for the representative and one for the company. The copy for the company, filled-in and signed, shall be submitted in person or shall be sent to the office of the Company specified in the notice to attend of the G.M.S., until the date and time specified in the notice to attend, in a sealed envelope, with the mention in print and in capital letters: «FOR THE GENERAL MEETING OF SHAREHOLDERS OF ..... » or sent on the e-mail addresses indicated in the notice to attend, until the same date and time, with embedded extended electronic signature, according to Law No. 455/2001 on electronic signature - republished, under the sanction of losing the voting right.

A shareholder is forbidden to express different votes based on the shares held by it at the same company.

A shareholder gives specific voting instructions within the form of special power of attorney to the person representing it, for each item recorded on the agenda of the general meeting of shareholders. If by empowerment, several alternate representatives are appointed, the order in which they will exercise their mandate shall be established.





A person acting as the representative may represent several shareholders, the number of shareholders thus represented being unlimited. If a representative holds different empowerments conferred by several shareholders, he/she is entitled to vote for a shareholder differently as compared to the vote for another shareholder. The person representing several shareholders based on empowerments expresses the votes of the represented persons by summing up the number of votes "for" and "against" without compensating them (for example, in item x from the agenda, I am representing "a" votes "for" and "b" votes "against"). In the case of special empowerments, the votes thus expressed are valid based on copy 3 of the special power of attorney (empowerment).

Special powers of attorney will be updated if proposals are made to complete the agenda by shareholders, by candidates to the position of director (if the election of directors appears on the agenda) or the election of directors by the cumulative voting method (under the conditions of art. 85 of Law No. 24/2017 on issuers of financial instruments and market operations).

In all cases, natural persons empowered by a special power of attorney will be identified with the identity deed at the meeting of the General Meeting of Shareholders.

### **b) Representation based on general empowerment (power of attorney)**

Shareholders may issue a general empowerment valid for a period of time that must not exceed 3 (three) years, allowing the assigned representative to vote in all the aspects under the debate of the Company's General Meetings of Shareholders, provided that the general empowerment (power of attorney) is granted by the shareholder, as the client, to a defined intermediary, pursuant to Art. 2 para. (1) point 19 of Law No. 24/2017, or to an attorney-at-law.

In the case of general empowerments, the person acting as the representative shall not present in the General Meeting of Shareholders any proof regarding the vote of the represented persons.

The general empowerment must contain at least the following information:

- a. shareholder's name/designation;
- b. representative's name/designation (the person whom the empowerment is granted to);
- c. date of the empowerment, as well as its validity period, complying with the legal provisions; empowerments bearing a later date have the effect of revoking the powers of attorney previously dated;
- d. specifying that the shareholder authorizes the representative to attend and vote on his/her behalf by the general empowerment at the General Meeting of Shareholders for the entire holding of the shareholder on the reference date, with express specification of the company(ies) for which the respective general empowerment is used.

The general empowerment shall terminate by:

- (i) a revocation written by its principal shareholder sent to the issuer no later than the deadline for submitting the empowerments, applicable to an extraordinary or ordinary general meeting, held within the mandate, drafted in Romanian language or in English language; or
- (ii) losing the quality of shareholder of the principal on the reference date applicable to an extraordinary or an ordinary general meeting of shareholders, organised within the mandate; or
- (iii) losing the quality of intermediary or of attorney-at-law of the proxy.

The general empowerment shall be signed by the shareholder and accompanied by a statutory declaration given by the legal representative of the intermediary or by the attorney-at-law who received the power of representation by the general empowerment, showing that:



- (i) the empowerment is granted by the respective shareholder, as the client, to the intermediary or, where appropriate, to the attorney-at-law;
- (ii) the general empowerment is signed by the shareholder, including by attaching an extended electronic signature, where appropriate.

The declaration provided above must be submitted with the Company in original, signed, without meeting other formalities in relation to its form. The declaration is submitted together with the general empowerment.

Shareholders cannot be represented in the General Meeting of Shareholders based on a general empowerment by a person that is in a situation of conflict of interests, in compliance with the provisions of art. 105 para. 15 of Law No. 24/2017, republished.

General empowerments, before their first use, are submitted with the Company 48 hours before the General Meeting, in copy, comprising the mention of compliance with the original under the representative's signature or sent on the e-mail addresses specified in the notice to attend of the G.M.S., until the same date and time, with embedded extended electronic signature, pursuant to the Law No. 455/2001 on electronic signature, republished. Certified copies of the general powers of attorney (empowerments) are retained by the Company, a mention being made in this regard in the protocol of the General Meeting of Shareholders.

If the person empowered by a general empowerment is a legal person, he/she may exercise his/her mandate received through any person who is part of his/her administration and management bodies, or by any of his/her employees, submitting documents that attest their quality, in original or in a certified true copy.

In all cases, natural persons empowered by a general empowerment shall be identified with the identity deed at the General Meetings of Shareholders.

#### **6.1.1.7 Vote by Mail within the G.M.S.**

The Company shareholders, natural or legal persons, registered on the reference date for the G.M.S. in the shareholders' register issued by Depozitarul Central S.A., who cannot or do not wish to attend in person or through a representative at the Meeting, have the opportunity to vote by mail, before the General Meeting of Shareholders, by using the ballots provided by the company.

To assure the possibility that all the interested shareholders can express themselves in relation to the problems proposed on the agenda of the General Meetings of Shareholders, the Board of Directors shall elaborate and post on the company website the forms of ballot by mail to be used at each General Meeting of Shareholders. The forms of ballot by mail will be available in Romanian and in English languages, at the Company office, and on its internet page. Shareholders will be transmitted free of charge with the forms of vote by mail following a request submitted to the company's registry.

The forms of ballot by mail, in Romanian or in English language, filled-in, signed, in a written format and the accompanying deeds must be submitted/transmitted and recorded at the company office specified in the notice to attend, in original, until the date and time specified in the notice to attend, in a sealed envelope, with the mention in print and in capital letters: «FOR THE GENERAL MEETING OF SHAREHOLDERS OF .....» or sent on the e-mail addresses indicated in the notice to attend, until the same date and time, with embedded extended electronic signature, according to Law No. 455/2001 on electronic signature, republished, under the sanction of losing the voting right.

The entire identification data of shareholders will be found on the ballot, respectively the surname/given name/designation of the legal person, as the case may be,



domicile/registered office, personal identification number of the natural person, registration number with the special records of legal persons (the order number with the Trade Register or the registration number from the legal persons' register), tax identification number for legal persons, as well as the number of shares held and the voting rights afferent to them, in relation to the total number of shares with voting right of the company.

In the case of legal person shareholders, the ballot shall be signed in person by the legal representative of the legal person, according to the articles of incorporation and/or of the decisions of the statutory bodies, the signatory assuming full and exclusive responsibility for quality and signature authenticity.

In the case of voting by mail of legal person shareholders or of entities without legal personality, the quality of legal representative is found based on the shareholders' list from the reference date received from the Depozitarul Central S.A.. If the shareholders' register does not contain data regarding the quality of legal representative or they are not updated, this quality is proved with a confirmation of company details in original or in a certified true copy, issued by the Trade Register or any other document, in original or in a certified true copy, issued by a competent authority from the state in which the shareholder is legally registered, for a period of time that must not exceed 3 years in relation to the date of publication of the notice to attend of the general meeting, which allows the identification of the legal representative. The documents attesting the quality of legal representative drafted in a foreign language, other than English language, will be accompanied by a translation performed by a sworn translator, in Romanian or in English language.

The vote by mail can be expressed by a representative only if he/she received from the shareholder he/she represents a special/general empowerment that is submitted to the issuer, in compliance with art. 105 para. 14 of Law No. 24/2017, as further amended and supplemented.

Natural person shareholders shall sign the ballot in person, the signatories assuming full and exclusive responsibility for the quality of shareholder and signature authenticity. In the case of voting by mail of natural person shareholders, voting forms by mail must be accompanied by the copies of the identity documents of shareholders, which must allow their identification in the company's shareholders' register held by the Depozitarul Central S.A., and, if the case may be, copies of the identity deeds of legal representatives (in the case of natural persons without legal competence or with restrained legal competence), together with the proof of the quality of legal representative.

Forms of ballots by mail will be updated if proposals are made to complete the agenda by shareholders, by candidates to the position of director (if the election of directors appears on the agenda) or the election of directors by the cumulative voting method (under the conditions of art. 85 of Law No. 24/2017 on issuers of financial instruments and market operations).

Shareholders who vote by mail shall correctly exercise their voting right, so that, for each item on the agenda and in the ballot, his/her voting option to result expressly and clearly. In case in one or more items from those recorded on the ballot there will be several options, they are illegible, or conditionally expressed or other ballots forms were used, the votes afferent to those items shall be considered void, for the reason of vitiated expression of the consent, but shall be taken into account for quorum calculation, pursuant to the legislation in force.

Voting forms which are not received at the Company office until the dates and times mentioned in the notice to attend, shall not be considered for determining the quorum and the majority in the General Meeting of Shareholders.



If the shareholder who expressed his/her vote by mail personally attends or attends through a representative the G.M.S., the vote expressed by mail shall be cancelled. In this case, only the vote expressed in person or by the representative shall be considered. If the person representing the shareholder by participation in person at the G.M.S. is another person than the one who expressed his/her vote by mail, then, for the validity of his/her vote, he/she shall present at the G.M.S. a written revocation of the vote by mail signed by the shareholder or by the representative who expressed his/her vote by mail. This is not necessary if the shareholder or his/her legal representative is present at the General Meeting.

In order to process the ballots, the Board of Directors shall issue a decision to designate the nominal composition of the *Commission responsible for centralizing and keeping track of the votes expressed by mail, of special and general empowerments*. The Commission shall centralise all the documents received by mail/courier or submitted to the office mentioned in the notice to attend, having the responsibility to provide the correctness and confidentiality of the votes/empowerments sent and processed until the time of voting on each item on the agenda.

#### **6.1.1.8 Conduct of the General Meeting of Shareholders and its Decisions**

Within the General Meeting of Shareholders, each shareholder is free to express his/her point of view regarding the materials afferent to the agenda and to request explanations where he/she has ambiguities. Also, any shareholder may request for the discussions to be recorded in the protocol of the General Meeting of Shareholders.

On the day and at the time shown in the convening, the Meeting session will be opened by the Chairman of the Board of Directors or by his/her successor. The General Meeting shall choose among the present shareholders one to three secretaries, the Chairman being able to also appoint, one or more technical secretaries from among the company officials.

The appointed Commission will centralize all the votes arrived by mail, the general empowerments and the special powers of attorney (empowerments), and at the beginning of the works of the General Meeting, it shall submit to the secretariat the situation of the votes by mail which will be taken into account when establishing the total quorum related to the General Meeting (shareholders present/represented at the works plus the number of shareholders who voted by mail).

The Commission shall hand over the centralized situation of votes expressed to the secretariat elected by the General Meeting of Shareholders, in compliance with Art. 129 of Law No. 31/1990, republished, as voted for each item in the notice to attend/ballot to establish the general result of the expressed votes (votes expressed by present or represented shareholders – by empowerment/power of attorney, to which the votes by mail shall be added).

Upon establishing the legal and/or statutory quorum necessary for the conduct of the proceedings of each General Meeting of Shareholders, only ballots by mail, special powers of attorney (empowerments) and general empowerments will be considered, as appropriate, which were expressed in compliance with the procedure established by these regulations, and which were transmitted at the company office within the deadlines established by the notice to attend.

The General Meeting may decide that the operations provided above be supervised or performed by a notary public at the expense of the company.



The Ordinary General Meeting of Shareholders shall be considered validly constituted and may make decisions if at the first convening, shareholders who own at least 40% from the total number of the voting rights are present.

The decisions can be made validly with the simple majority of the expressed votes.

If at the first convening, the legal quorum conditions are not met, a second Ordinary General Meeting may be convened that will be legally constituted under the conditions of meeting any of the share capital represented in the meeting. The decisions will be validly made with the majority of expressed votes.

The Extraordinary General Meeting of Shareholders is considered validly constituted and can make decisions if at the first convening, shareholders representing 40% from the total voting rights are present.

If at the first convening, the legal quorum conditions are not met, a second Extraordinary General Meeting may be convened, which will be legally constituted, given that shareholders holding 20% of the total number of voting rights are present.

The decisions are made with the majority of votes held by the present or represented shareholders.

The decision to change the main object of activity of the company, to reduce or increase the share capital, to change the legal form, to merge, spin-off or dissolve the company is made with a majority of at least two thirds from the voting rights held by the present or represented shareholders. If the applicable legislation shall provide larger majorities for a particular decision, the legal provision shall take precedence.

The decisions made in compliance with the conditions of quorum and majority required by the legislation and by the Articles of Incorporation are binding both for absent shareholders, but legally convened, and for shareholders who voted against or abstained from voting.

Within 15 days from the date of the General Meeting, the decisions of the General Meeting of Shareholders shall be submitted with the Trade Register Office and shall be published in the Official Gazette of Romania.

The decisions of the General Meetings made in breach of the legal provisions or of the Corporate Governance Regulation of Biofarm S.A. and of the Articles of Incorporation may be challenged in court, within 15 days from the date of their publication in the Official Gazette, by any of the shareholders who did not take part in the Meeting or who voted against and requested for this to be inserted in the meeting protocol.

### **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. Administrators 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.

Administrators 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 administrators.

#### **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 insolvency prevention procedures and insolvency proceedings;
- f. to relocate the company's office;
- g. to change the company activity object, except for the field and the main object of the company;
- h. to establish or dissolve secondary offices: branches, agencies, offices or other such units with no legal personality;
- i. to increase the share capital and establishing the procedure to be followed in compliance with the laws in force, under the limits established by the extraordinary general meeting of shareholders;
- j. documents for acquisition, transfer, exchange or constitution in guarantee of assets from the category of non-current assets of the company, the value of which exceeds, individually or together, during a financial year, 20% from the total of non-current 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;
- k. to choose the Chairman of the Board of Directors
- l. to organise its control on the company
- m. 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 non-current assets less receivables;
- n. 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 01.01.2023 – 31.12.2023 was composed of:
- Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
  - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
  - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent
  - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
  - Rachid EL LAKIS – 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 consecutive mandates of 4 years in 2017 (by the O.G.M.S. Decision No. 77/07.11.2017) and in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);
- 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 consecutive mandates of 4 years in 2017 (by the O.G.M.S. Decision No. 77/07.11.2017) and in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);
- Nicușor Marian BUICĂ – provisionally appointed by the Board of Directors in 2020 (by the B.D. Decision No. 5/18.09.2020 starting from the same date), elected in 2021 (by the G.M.S. Decision 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. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);

- Cătălin Constantin VICOL – provisionally appointed by the Board of Directors in 2018 (by the B.D. Decision No. 209/06.12.2018) and confirmed in the position in 2019 by the G.M.S. 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. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);

- Rachid EL LAKIS – chosen in 2019 (by the G.M.S. 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. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);

During the fiscal year 2023, the Chairman of the Board of Directors of Biofarm S.A. **convened 7 times the members of the Board of Directors**. The members of the Board of Directors attended the meeting in person, by telephone or 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	7	-	7
Bogdan Alexandru Drăgoi	7	-	7
Cătălin Constantin Vicol	7	-	7
Rachid El Lakis	7	-	7
Nicușor Marian Buică	7	-	7

\* *meetings to which they were convened during the mandate, in 2023*

The following were presented, discussed and approved, as the case may be: preliminary financial statements regarding 2022, people authorized to sign in banks, the convocation of the O.G.M.S. balance sheet and E.G.M.S., Annual Report 2022 and Remuneration Report 2022, approval of the update of the Procedure on the voting by shareholders within the Ordinary or Extraordinary General Meetings of Shareholders, approval of the Protocol for Inventory and quash proposals, Q1 2023 financial statements, Iancu de Hunedoara cadastral rectification, updates to the commercial policy related to the year 2023, updates to the Whistleblowing Policy and Code of Ethics, financial statements of the 1<sup>st</sup> Semester 2023, approval of the Dividend Payment Procedure related to the year 2022, setting of the E.G.M.S., appointment of the Commission for the centralization of votes by correspondence and the proxies sent by shareholders for the E.G.M.S., the sale of the building in Iancu de Hunedoara no. 40-42, approving the addition of the objects of activity authorized at the Company's registered office, financial statements of 3<sup>rd</sup> Quarter 2023, approving the updates to the Archival Nomenclature and the selection committee for its approval, changes regarding the organization chart of the company, the appointment of the security accreditation committee NIS, the financial calendar related to 2024, taking the necessary decisions to carry out the Company's current activity.

The company drafted in 2021 the Remuneration Policy of managers, approved by the General Meeting of Shareholders through the Decision No. 83/26.04.2021.

Thus, according to the approved Policy and the regulations in force, O.G.M.S. – by Decision No. 86/26.04.2023, approved the Remuneration Report covering year 2022 drafted by the Board of Directors (the vote having the character of an advisory vote).



The Remuneration Report for 2022 can be consulted on the Company website in the Corporate Governance/Investor Relations section, subsection GMS - GMS 2023.

The 2024 OGMS follows to approve the 2023 Remuneration Report.

On 31.12.2023, there is no Committee established (Audit, Nomination, Remuneration) at the level of the Board of Directors of Biofarm S.A.

Following the meetings of the Board of Directors **7 decisions**, were issued, communicated to the persons that were going to accomplish them.

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

- a. convenes the General Meeting of Shareholders upon the proposal of the Board of Directors or upon the shareholders' request who hold individually or cumulatively at least 5% of the share capital,
- b. manages the meetings of the Board of Directors and manages the General Meetings,
- c. coordinates the activity of the board and reports on it to the General Meeting of Shareholders.
- d. ensures the proper functioning of the company's bodies.

The **General Manager** has the following attributions:

- a. represents the Company in the relationship with shareholders, third parties, the trade union and in court, under the law, and of the Articles of Incorporation.
- b. employs and dismisses the company personnel.
- c. establishes the job descriptions and the salaries of all the company employees,
- d. proposes the company's organizational chart.
- e. approves sanctions for the company personnel.
- f. approves the allocation of bonuses for the company personnel.
- g. owns the right of signature in the bank, will appoint and revoke the persons that will have 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 will be able to employ the company within the limit of an amount representing maximum the equivalent in lei of EUR 750,000, but no more than 20% from the total of non-current assets, less receivables for financial operations taken individually or cumulatively during a financial year.
- i. meets any other duties delegated by the Board of Directors.
- j. has the right to delegate the power to represent the company in relations with third parties, the union etc., to the Executive Director, the Deputy General Manager and other persons from the company's management, by decision.

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

The General Manager is responsible for exceeding his duties.

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 of the business plan.





On 31 December 2023, **the management team of the company** was provided by the following persons:

**Cătălin Constantin VICOL – General Manager**

Date from which he holds the position within Biofarm S.A.: 15.11.2018

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

Cătălin Vicol has been active in the pharma market for over 20 years. He managed the local branch of a multinational company active in CHC, between 2008 and 2016, and since 2010, he occupied the position of Regional Manager as well, being responsible for Romania, Bulgaria, Hungary and Moldova. For two years, he was the General Manager of one of the greatest companies in the respiratory medical services and home medical devices market.

Catalin Vicol contributes to the development of Biofarm S.A. and to achievement of the company's objectives through proven skills throughout his career in the area of business strategy, process optimization and people management.

**Mihai ZOESCU - Chief Financial Officer**

Date from which he holds the position within Biofarm S.A.: 18.01.2021

Mihai Zoescu has under his subordination the Financial-Accounting, Human Resources, Controlling & Reporting, Legal and Relationship with Investors, and IT Departments of Biofarm SA. In his 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 company performances, to reduce risks and to ensure the compliance with the internal policies and procedures. He brings more than 19 years of work experience in financial audit departments, internal audit, internal control, assistance in transactions – mergers and purchases, investigations, management and financial consultancy in one of the audit and consulting companies that is part of the "Big 4" where he was exposed to various business sectors: food supplement production, pharma distribution and retail, medical services, media and advertising, agriculture or construction materials. He holds a Master's degree in Finance, Insurance, Banking and Stock Exchanges from the Bucharest Academy of Economic Studies, CAFR (*Chamber of Financial Auditors of Romania Registry*) and ACCA (*Body of Expert and Licensed Accountants of Romania*) certification.

**Mirel FLORICĂ – Director Industrial Operations**

Date from which he holds the position within Biofarm S.A.: 01.09.2023

Mirel Florica coordinates the Manufacturing Unit and the Quality Unit of Biofarm SA. With a wealthy experience in the pharma industry, over 28 years, during which he held several management positions in leading companies, Mirel joined the Biofarm team with bold goals and the necessary motivation to achieve them, as well as the right ability and qualities to induce those around them to contribute to their achievement. The main objectives of Mirel's role are to substantiate the annual manufacturing plan, the implementation of the development and modernization strategy of the two production sites, the optimization of investments in the manufacturing areas, quality, environmental protection and health and safety at work and projects of digitization, in the area of industrial operations. Mirel is a graduate of the Faculty of Industrial Chemistry at the Polytechnic University of Bucharest and holds a graduation diploma from the Executive



MBA program at The Institute for Business and Public Administration Bucharest at ASEBUSS.

**Ioana GORĂNESCU – Marketing Manager**

Date from which he holds the position within Biofarm S.A.: 21.01.2019

Ioana leads 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 leads, 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 and holds an IMB degree at the City University of Seattle.

**Dragoș MOISE – Trade Manager**

Date from which he holds the position within Biofarm S.A.: 21.01.2019

Dragoș leads the Trade Department (Trade Marketing, Key Account & Distributors) within Biofarm S.A. developing the company Trade and Sales strategies concerning the sales in Distributors and from Distributors to pharmacies of national chain type and independent pharmacies. His previous experience, of over 20 years in large multinational and local companies, with strong brands, market leaders in Pharma and FMCG, help him that, together with the team it coordinates, to reach the growth objectives of the company. Dragoș is licensed in Mechanical Engineering, studies graduated within the Ovidius University of Constanța.

**Dănuț Cristinel IORGA – Field Force Manager**

Date from which he holds the position within Biofarm S.A.: 21.01.2019

Dănuț 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. Licensed engineer of TCM Iași Faculty, Dănuț has built a career in sales since the first years of activity, accumulating an experience of over 25 years, of which 22 years in management positions, the experience accumulated both in FMCG – 12 years – as well as in Pharma – 13 years – developing their area of expertise both in the sales area and in the medical promotion field.

**Monica Claudia DOBRISAN – Chief Accountant**

Date from which she holds the position within Biofarm S.A.: 09.05.2016

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

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



**Petruța STOICESCU – Manufacturing Manager**

Date from which she holds the position within Biofarm S.A.: 01.06.1998

Petruța Stoicescu started her career at Biofarm S.A. in 1990. Since 2008, she is at the management of the Production department, and starting from 2012, she also deals with the coordination of the Supply department. Petruța Stoicescu attended the courses of the Faculty of Chemical Technology within the University of Bucharest, Macromolecular Compounds Technology section.

**Cristina DIACONESCU - Quality Manager & Qualified Person**

Date from which she holds the position within Biofarm S.A.: 10.10.2022

Cristina Diaconescu coordinates the Quality Department, respectively the Quality Assurance and Quality Control activities. With over 30 years of experience in the pharma industry, in manufacturing, marketing and sales, research, development and quality, together with the team she coordinates, she is concerned about the development and implementation of quality standards and requirements, in all the company processes. Cristina is a chemical engineer. She graduated from the Faculty of Industrial Chemistry of the "Gh. Asachi" Technical University of Iași and holds an MBA degree at the "Gh. Asachi" Technical University of Iași.

**Mariana BOGDE – Human Resources Manager**

Date from which she holds the position within Biofarm S.A.: 02.04.2018

Mariana 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, to 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. Licensed in Sociology – Psychology and having a Master's Degree in Human Resources Management, Mariana Bogde began her career in HR since 2006, working in different business fields, the last 7 years before Biofarm being in the Pharma field.

**Valentin Daniel CONSTANTIN – Manager of Legal Department and Relationship with Investors**

Date from which he holds the position within Biofarm S.A.: 19.08.2019

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

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

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 the Biofarm S.A. business sustainability.



**Lucian BOGACIU –Administrative Manager**

Date from which he holds 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 of Bucharest in 1996 and since then, he was active in the constructions field coordinating activities of design, authorisation and execution of works working in multinational companies.

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

**Valentina Alina COVACI – Regulatory Affairs & Medical & Pharmacovigilance Manager**

Date from which she holds the position within Biofarm S.A.: 01.12.2020

Alina Covaci coordinates the Regulatory Affairs & Medical & Pharmacovigilance Department since December 2020. She started her collaboration with Biofarm in August 2019 and currently, together with her team, contributes to the improvement of the processes related to her area of expertise, RA, Pharmacovigilance and Medical.

Alina is a senior clinical pharmacist. She graduated from the "Carol Davila" University of Medicine and Pharmacy of Bucharest, Faculty of Pharmacy in 2000 and until now she was permanently concerned about her professional development, taking classes and certifications in her field of activity which contributed to the performance of the activities of Regulatory affairs, Pharmacovigilance, GMP and GDP, in the companies where Biofarm previously worked.

**Diana Maria VIZITIU - Controlling & Reporting Department Manager**

Date from which she holds the position within Biofarm S.A.: 15.10.2018

Diana coordinates the Controlling & Reporting department since October 2018, where, together with her team, she builds and manages Biofarm's internal financial reporting with particular attention to accuracy and the interpretation of financial data that is the basis for the company's business decisions. The constant development of the way of use, as well as the automation of data processing are part of the department's daily activity and objectives.

Holding a degree in Accounting and Financial Audit and having graduated a Master in Financial Analysis and Evaluation from ASE Bucharest, Diana started her career in 2006 and previously worked for Biofarm in areas such as: financial consulting and audit services and clinical studies.

**Tatiana PATOI – Export Department Manager**

Date from which she holds the position within Biofarm S.A.:01.09.2007

Tatiana Patoi has been active in the pharmaceutical field since 2004. She started her career at Biofarm S.A. in 2005. Since 2007, she has been in charge of the Export Department, holding the position of Export Manager and coordinating the export activity of Biofarm S.A. products on foreign markets.



Tatiana Patoi attended the courses of the Faculty of International Relations and Political Sciences within the State University of the Republic of Moldova, and, in 2004, she graduated with a Master's degree in Political Sciences at the National University of Political Studies and Public Administration, Bucharest.

**Florin TALOI – IT Department Manager**

Date from which she holds the position within Biofarm S.A.:15.03.2017

Florin Taloi has been coordinating the IT Department since 2017. He started his activity in Biofarm in 2010. Currently, together with his team, he manages the IT infrastructure of Biofarm, solving any situation addressed to the IT department.

Florin Taloi attended the courses of the Faculty of Electronics and Telecommunications of the "Politehnica" University and has 26 years of experience in the IT field.

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, Cătălin Constantin Vicol, and the Chief Financial Officer, Mihai Zoescu, who have concluded a mandate contract.

The affiliated parties with which the company carried out its 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. as of 31 December 2023 is presented in the following table:

Andrei Hrebenciuc – B.D. Chairman	5,000
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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 will 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 recognizes one owner for each share.

Shareholders are entitled to participate to the increase of the share capital. 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 realized 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 C.N.V.M. (*National Securities Commission*)) 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. (former R.N.S.C.);
- d. decisions of the Ordinary and Extraordinary General Meetings.

For the information of shareholders on the company website there is information posted in the <<Corporate Governance/Relationship with Investors>> section regarding:

- General information
- Contact persons for the relationship with shareholders, and their contact data
- Financial calendar
- Current reports
- Communiqués
- Non-financial reporting/ESG
- Financial statements and Presentations for investors
- General Meetings of Shareholders (convenings, G.M.S. materials, G.M.S. decisions, forms of special powers of attorney, forms of vote by mail, results of expressed votes, draft resolutions etc.)
- Dividends distribution procedures
- Coverage by analysts
- Updated Articles of Incorporation
- Code of Ethics and Organizational Conduct
- Policies
- Regulations and Regulations of advisory committees
- Declaration of conformity
- BD presentation and Executive management
- Transactions of persons with management responsibilities and persons in tight relations
- Shareholders' information note regarding personal data protection
- BSE information
- Price of shares
- Frequently asked Questions

**B.D. CHAIRMAN**  
**Andrei Hrebenciuc**

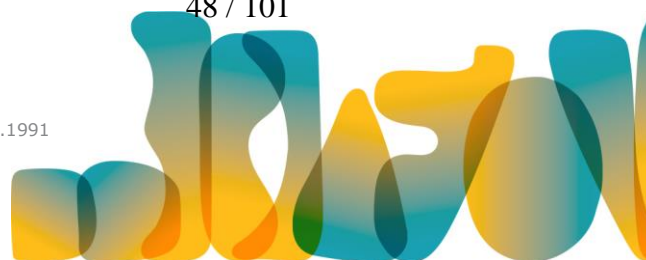


### 6.3. Declaration of Conformity

Provisions of the Corporate Governance Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
A.1 All companies must have an internal regulation of the Board that includes the reference terms and the responsibilities of the Board and the key management functions of the company, and which apply, among others, the general principles from Section A.	YES		
A.2 The provisions for the management of the conflicts of interest must be included in the regulation of the Board. In any case, the members of the Board must notify the Board with regard to any conflicts of interests that occurred or may occur and to refrain from participating in discussions (including by failure to be present, except for the case in which the failure to be present would prevent quorum formation) and from the vote for the adoption of a decision regarding the matter giving rise to the respective conflict of interests.	YES		
A.3 The Board of Directors must be composed of at least five members.	YES		
A.4 Most of the members of the Board of Directors must not have an executive position. In the case of companies from the Premium Category, not less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors must submit a statement at the time of his/her nomination for the election or re-election, as well as when any change of status occurs or, indicating the elements based on which he/she is considered to be independent from the point of view of his/her character and judgment.		PARTIALLY COMPLIANT	Most of the members of the Board of Directors are non-executive directors. Currently, there are no independent directors. Directors were appointed in the position by the General Meeting of Shareholders, respectively by the Board of Directors.
A.5 Other engagements and professional obligations relatively permanent of a member of the Board, including executive and non-executive positions within the Board of companies and non-profit institutions, must be disclosed to shareholders and potential investors before nomination and during his/her mandate.	YES		
A.6 Any member of the Board must submit to the Board information regarding any report with a shareholder that directly or indirectly holds shares representing over 5% from all voting rights. This obligation refers to any type of report that may affect the position of the member with regard to matters decided by the Board.	YES		
A.7 The company must appoint a secretary of the Board responsible for supporting the Board's activity.	YES		
A.8 The statement regarding corporate governance will inform whether an evaluation of the Board took place under the management of the Chairman or of the nomination committee and, if yes, it will summarize the key measures and the resulting changes. The company must have a policy/guide on the evaluation of the Board comprising the purpose, the criteria and the frequency of the evaluation process.		PARTIALLY COMPLIANT	The Company has approved the Company's Remuneration Policy, which includes criteria for evaluating the managers' activity, also subject to the approval of the Annual General Meeting of the Biofarm S.A. Managers' Remuneration Report.
A.9 The statement regarding the corporate governance must contain information regarding the number of meetings of the Board and the committees during the last year, the participation of directors (in person and in absence) and a report of the Board and of the committees with regard to their activities.	YES		
A.10 The statement regarding the corporate governance must comprise information regarding the exact number of independent members from the Board of Directors or from the Supervisory Board.	YES		
A.11 The Board of companies from the Premium Category must establish a nomination committee composed of non-executive members, which will lead the procedure of nominations by new members in the Board and will make recommendations to the Board. Most of the members of the nomination board must be independent.		NO	Currently, there is no Nomination committee established. To the extent of meeting the conditions and the occurrence of the existence necessity, it will be constituted.
B.1 The Board must establish an audit committee in which at least one member must be an independent non-executive administrator. Most members, including the Chairman, must have proven to have appropriate qualification, relevant for the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of companies from the Premium Category, the audit committee must be composed of at least three members and most of the audit committee members must be independent.		NO	Currently, there is no Audit committee constituted. To the extent of meeting the conditions it will be constituted.
B.2 The chairman of the audit committee must be an independent non-executive member.		NO	See the explanation in point B.1
B.3 Within his/her responsibilities, the audit committee must carry out an annual evaluation of the internal control system.		NO	



Provisions of the Corporate Governance Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
B.4 The evaluation must take into account the effectiveness and the scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board audit committee, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified as a result of internal control and the submission of relevant reports to the Board's attention.		NO	
B.5 The audit committee must evaluate the conflicts of interests in relation to the transactions of the company and its subsidiaries with affiliated parties.		NO	See the explanation in point B.1
B.6 The audit committee must evaluate the effectiveness of the internal control system and of the risk management system.		NO	
B.7 The audit committee must monitor the application of generally accepted legal standards and internal audit standards. The audit committee must receive and evaluate the reports of the internal audit team.		NO	
B.8 Whenever the Code mentions reports, or analyses initiated by the Audit Committee, they are followed by periodical reports (at least annually) or ad-hoc that must be subsequently submitted to the Board.		NO	
B.9 No shareholder may be granted preferential treatment as compared to other shareholders in relation with transactions or agreements concluded by the company with shareholders or their affiliates.	YES		
B.10 The Board must adopt a policy by which to ensure that any transaction of the company with any of the companies with which it has tight relations whose value is equal to or greater than 5% from the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory opinion of the audit committee of the Board and correctly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events that are the object of reporting requirements.	YES		
B.11 Internal audits must be carried out by a structurally separated division (internal audit department) within the company or by employing an independent third entity.	YES		
B.12 For the purpose of ensuring the fulfilment of the main functions of the internal audit department, it must report from the functional point of view to the Board through the audit committee. For administrative purposes and within the obligations of the management to monitor and reduce risks, it must report directly to the general manager.		PARTIALLY COMPLIANT	The internal auditor reports directly to the Board of Directors and to the General Manager, as no Audit Committee is constituted.
C.1 The company must publish on its website the remuneration policy and include in the annual report a statement regarding the implementation of the remuneration policy during the annual period that is the object of the analysis.	YES		
D.1 The company must organise an Investors Relations service – being indicated to the general public the person or the persons responsible or the organisational unit. Apart from the information imposed by the legal provisions, the company must include on its website a section dedicated to Investors Relations, in Romanian and English languages, with the entire relevant interest information for investors, including:	YES		
D.1.1 The main corporative regulations: articles of incorporation, procedures regarding the general meetings of shareholders;	YES		
D.1.2 The professional CVs of the members of the management bodies of the company, other professional commitments of Board members, including executive and non-executive positions in boards of directors from companies or non-profit institutions;	YES		
D.1.3 Current reports and periodical reports (quarterly, half-yearly and annual) – at least those provided in point D.8 – including current reports with detailed information regarding the nonconformity with the Code;	YES		
D.1.4 Information regarding the general meetings of shareholders: agenda and informative materials; procedure for the election of Board members; arguments supporting the proposals of candidates for election in the Board, together with their professional CVs; the questions of shareholders with regard to the items on the agenda and answers of the company, including the adopted decisions;	YES		
D.1.5 The information regarding corporative events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquiring or limitation of the rights of a shareholder, including the deadlines and the principles applied to these operations. The respective information will be published within a deadline that allows the investors to adopt investment decisions;	YES		
D.1.6 The contact name and data of a person that will be able to provide, upon request, relevant information;	YES		
D.1.7 Company's presentations (e.g., presentations for investors, presentations regarding quarterly results etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	YES		
D.2 The company will have a policy regarding the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or by the Directorship and adopted by the Board, under the form of a set of guidelines which the company intends to follow with regard to the distribution of the net profit. The principles of the annual distribution policy towards shareholders will be published on the company's website.	YES		
D.3 The company will adopt a policy in relation with the forecasts, whether they are made public or not. Forecasts refer to quantified conclusions of studies aiming at establishing the global impact of a number of factors regarding a future period (so-called hypotheses): by its nature, this projection has a high level of incertitude, the effective results being able to differ significantly from the forecasts initially presented. The policy regarding the	YES		





Provisions of the Corporate Governance Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
forecasts will establish the frequency, the period considered and the content of forecasts. If published, the forecasts can be included only in annual, half-yearly or quarterly reports. The policy regarding the forecasts will be published on the website of the company,			
D.4 The rules of the general meetings of shareholders must not limit the participation of shareholders to general meetings and the exercise of their rights. The modifications of rules will enter into force, at the earliest, starting with the next meeting of shareholders.	YES		
D.5 External auditors will be present at the general meeting of shareholders when their reports are presented within these meetings.	YES		
D.6 The Board will present to the annual general meeting of shareholders a brief appreciation on the internal control and significant risk management systems, as well as opinions on matters submitted to the decision general meeting.	YES		
D.7 Any specialist, consultant, expert or financial analyst may attend the meeting of shareholders based on a prior invitation from the Board. Accredited journalists can also attend the general meeting of shareholders, except for the case in which the Chairman of the Board decides otherwise.	YES		
D.8 Quarterly and half-yearly financial reports will include information both in Romanian and in English language regarding the key factors that influence modifications at the level of sales, of operational profit, net profit and other relevant financial indicators, both from a quarter to another, and from one year to another.	YES		
D.9 A company will organize at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor's relations section of the company's website on the date of meetings/teleconferences.		NO	The possibility of organising such corporate events will be evaluated in relation with the requests coming from investors.
D.10 If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the company's innovative and competitive nature are part of its development mission and strategy, it will publish the policy with regard to its activity in this field.		NO	Such a policy is not imposed at this moment. To the extent that it will be considered that these activities have an impact on the company's innovative and competitive nature, part of its development mission and strategy, the policy will be elaborated.

**B.D. CHAIRMAN**  
**Andrei Hrebenciuc**



**INDIVIDUAL FINANCIAL STATEMENTS  
for the 12 month period ended on 31 December 2023**

Drafted in compliance with the Order of the Ministry of Public Finance No. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards



INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

for the 12 months period ended at 31 December 2023

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

<b>Individual Statement of Comprehensive Income</b>	<b>NOTE</b>	<b>For the 12 months period ended at</b>	
		<b>31 December 23</b>	<b>31 December 22</b>
<b>Income from sales</b>	<b>4</b>	<b>280,288,775</b>	<b>276,982,692</b>
Other operating income		793,821	327,462
Changes in inventories		798,286	7,690,697
Raw materials and consumables	<b>5</b>	(48,627,428)	(51,283,171)
Personnel expenses	<b>6</b>	(52,807,548)	(47,796,973)
Depreciation		(14,518,395)	(13,507,049)
Other operating expenses	<b>7</b>	(89,097,966)	(94,671,620)
<b>Operating profit/(loss)</b>		<b>76,829,545</b>	<b>77,742,038</b>
Financial income	<b>8</b>	6,881,775	3,138,361
Financial cost	<b>8</b>	(2)	(89)
<b>Profit/(loss) before tax</b>		<b>83,711,318</b>	<b>80,880,310</b>
Income tax expenses	<b>9</b>	(6,698,420)	(9,963,048)
<b>Profit/(Loss)</b>		<b>77,012,898</b>	<b>70,917,262</b>
<b>Other comprehensive income elements</b>			
Gain on property revaluation		8,219,060	-
Deferred tax loss on property revaluation		(1,315,143)	-
<b>Total comprehensive income</b>		<b>83,916,815</b>	<b>70,917,262</b>
<b>Earnings per share attributed to ordinary shareholders:</b>			
Basic	<b>10</b>	0.0782	0.0720
Diluted		0.0713	0.0662

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

Approved by the Board of Directors on 20 March 2024

and signed on his behalf by:

B.D. Chairman  
Andrei Hrebenciuc

Drafted by:  
Chief Accountant  
Monica Claudia Dobrisan



INDIVIDUAL STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

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

**Individual Statement of  
Financial Position**

<b>Assets</b>	<b>NOTE</b>	<b>31 December 23</b>	<b>31 December 22</b>
Property, plant and equipment	<b>11</b>	193,716,330	170,930,851
Investment property	<b>12</b>	12,161,653	11,780,863
Intangible assets	<b>13</b>	771,809	63,958
Other non-current assets		9,095	9,095
Deferred tax	<b>18</b>	12,005,121	9,771,214
<b>Non-current assets</b>		<b>218,664,008</b>	<b>192,555,981</b>
Inventories	<b>14</b>	57,953,909	56,654,482
Trade and other receivables	<b>15</b>	105,535,505	134,611,744
Term bank deposits		91,000,000	-
Cash and cash equivalents	<b>16</b>	20,660,190	82,713,880
<b>Current assets</b>		<b>275,149,604</b>	<b>273,980,106</b>
<b>TOTAL ASSETS</b>		<b>493,813,612</b>	<b>466,536,087</b>
<b>Debts</b>			
Trade and other payables	<b>17</b>	55,943,924	65,185,430
Contractual debts	<b>17</b>	21,261	15,953,773
Other provisions	<b>19</b>	2,537,951	4,506,192
<b>Current liabilities</b>		<b>58,503,136</b>	<b>85,645,395</b>
Long-term liabilities	<b>17</b>	899,350	835,121
<b>Long-term liabilities</b>		<b>899,350</b>	<b>835,121</b>
<b>TOTAL LIABILITIES</b>		<b>59,402,486</b>	<b>86,480,516</b>
<b>NET ASSETS</b>		<b>434,411,126</b>	<b>380,055,571</b>

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

Approved by the Board of Directors on 20 March 2024

and signed on his behalf by:

Andrei Hrebenciuc  
B.D. Chairman

Drafted by:  
Monica Claudia Dobrisan  
Chief Accountant



INDIVIDUAL STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2023

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

<b>Capital and reserves</b>	<b>NOTE</b>	<b>31 December 23</b>	<b>31 December 22</b>
Issued share capital	<b>20</b>	98,537,535	98,537,535
Own shares	<b>21</b>	(813)	(813)
Premiums related to the issuance/redemption of own shares		(173,154)	(173,154)
Revaluation reserves	<b>22</b>	10,622,424	3,718,507
Reserves	<b>22</b>	23,350,438	23,350,438
Retained earnings	<b>23</b>	225,061,798	183,705,796
Current result		77,012,898	70,917,262
Profit Distribution	<b>24</b>	-	-
<b>TOTAL EQUITY</b>		<b>434,411,126</b>	<b>380,055,571</b>

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

Approved by the Board of Directors on 20 March 2024  
and signed on his behalf by:

Andrei Hrebenciuc  
B.D. Chairman

Drafted by:

Monica Claudia Dobrisan  
Chief Accountant



**Individual Cash Flows Statement**

<b>Flows from operating activities</b>	<b>31 December 23</b>	<b>31 December 22</b>
<b>Profit before tax</b>	<b>83,711,318</b>	<b>80,880,310</b>
<i>Adjustments for:</i>		
Allowance for receivables, net	(1,724,474)	(55,887)
Adjustment of inventories	351,862	2,436,948
Depreciation and impairment of non-current assets	14,518,395	13,507,049
Adjustment for assets revaluation	39,569	-
Modification of the real estate investments value	(380,790)	(83,525)
Loss/(profit) from the disposal of assets	(308,624)	(50,924)
(Decrease)/increase in other provisions	(1,968,241)	2,706,194
Interest income	(6,881,773)	(3,138,361)
Interest cost	-	-
<b>Profit before modifying the working capital</b>	<b>87,357,242</b>	<b>96,201,804</b>
Decrease/(increase) of receivables	30,800,713	(24,576,400)
Decrease/(increase) of inventories	(1,651,289)	(29,763,086)
Increase/(decrease) of liabilities	(27,428,032)	1,788,206
<b>Cash from operating activities</b>	<b>89,078,634</b>	<b>43,650,524</b>
Paid financial costs	-	-
Paid profit tax	(9,250,952)	(14,633,228)
<b>Net cash from operating activities</b>	<b>79,827,682</b>	<b>29,017,296</b>
<b>Flows from investments activities</b>		
Term bank deposits, net	(91,000,000)	-
Acquisitions of tangible assets	(29,842,137)	(30,129,569)
Proceeds from the sale of non-current assets	318,527	50,924
Received interest	6,881,772	2,457,773
<b>Net flows from investment activities</b>	<b>(113,641,838)</b>	<b>(27,620,872)</b>
<b>Flows from financing activities</b>		
Paid dividends	(28,239,534)	(22,547,562)
<b>Net flows from financing activities</b>	<b>(28,239,534)</b>	<b>(22,547,562)</b>
<b>Cash net increase/(decrease)</b>	<b>(62,053,690)</b>	<b>(21,151,138)</b>
<b>Cash and cash equivalents opening balance</b>	<b>82,713,880</b>	<b>103,865,018</b>
<b>Cash and cash equivalents closing balance</b>	<b>20,660,190</b>	<b>82,713,880</b>

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

Approved by the Board of Directors on 20 March 2024  
and signed on his behalf by:  
Andrei Hrebenciuc  
B.D. Chairman

Drafted by:  
Monica Claudia Dobrisan  
Chief Accountant



INDIVIDUAL STATEMENT OF CHANGES IN EQUITIES  
for the 12 months period ended at 31 December 2023  
(all amounts are expressed in LEI, unless otherwise mentioned)

**Individual Statement of Changes in Equity**

	Share Capital	Own Shares	Share Issuance Losses	Revaluation Reserve	Reserves	Retained Earnings	Current Result	TOTAL
<b>31-Dec-21</b>	<b>98,537,535</b>	<b>(813)</b>	<b>(173,154)</b>	<b>3,718,507</b>	<b>23,350,438</b>	<b>146,999,035</b>	<b>60,355,769</b>	<b>332,787,317</b>
Retained earnings allocation	-	-	-	-	-	60,355,769	(60,355,769)	-
Period Result	-	-	-	-	-	-	70,917,262	70,917,262
Allocation other revaluation reserves	-	-	-	-	-	-	-	-
Allocation of deferred tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	<b>60,355,769</b>	<b>10,561,493</b>	<b>70,917,262</b>
Dividends distributed *	-	-	-	-	-	(23,649,008)	-	(23,649,008)
<b>31-Dec-22</b>	<b>98,537,535</b>	<b>(813)</b>	<b>(173,154)</b>	<b>3,718,507</b>	<b>23,350,438</b>	<b>183,705,796</b>	<b>70,917,262</b>	<b>380,055,571</b>
Retained earnings allocation	-	-	-	-	-	70,917,262	(70,917,262)	-
Period Result	-	-	-	-	-	-	77,012,898	77,012,898
Allocation other revaluation reserves	-	-	-	8,219,060	-	-	-	8,219,060
Allocation of deferred tax	-	-	-	(1,315,143)	-	-	-	(1,315,143)
<b>Total comprehensive income</b>	-	-	-	<b>6,903,917</b>	-	<b>70,917,262</b>	<b>6,095,636</b>	<b>83,916,815</b>
Dividends distributed *	-	-	-	-	-	(29,561,260)	-	(29,561,260)
<b>31-Dec-23</b>	<b>98,537,535</b>	<b>(813)</b>	<b>(173,154)</b>	<b>10,622,424</b>	<b>23,350,438</b>	<b>225,061,798</b>	<b>77,012,898</b>	<b>434.411.126</b>

\*Dividends per share were 0.030 lei in 2023 for 2022 and 0.024 lei in 2022 for 2021.  
Explanatory notes numbered from 1 to 30 are an integral part of the financial statements,

Approved by the Board of Directors on 20 March 2024  
and signed on his behalf by:

Andrei Hrebenciuc  
B.D. Chairman

Drafted by:

Monica Claudia Dobrisan  
Chief Accountant



## Explanatory Notes to the Individual Financial Statements:

### 1. General Information

#### 1.1. Company Presentation

BIOFARM S.A. has the registered office in Bucharest, str. Logofătul Tăutu nr. 99, sector 3 and has as a main activity object the production and marketing of medicines for human use, NACE code 2120 "Manufacture of pharmaceutical preparations".

On 31 December 2023, the company had the following working points:

- ✓ Bucharest, 3<sup>rd</sup> District, 99 Logofatu Tautu, headquarter
- ✓ Bucharest, 1<sup>st</sup> District, 42-44 Iancu de Hunedoara boulevard, tax identification number 14008268;
- ✓ Bucharest, 3<sup>rd</sup> District, 202-232 Drumul Gura Bădicului street, tax identification number 30037915.

The shareholding structure on 31.12.2023 was the following:

Shareholder	Shares	Percentage (%)
S.I.F. MUNTENIA S.A., BUCHAREST Locality	508,231,323	51.5774
S.I.F. BANAT- CRISANA S.A., ARAD Locality	362,096,587	36.7471
Natural persons	100,491,893	10.1983
Legal persons	14,555,547	1.4772
<b>Total</b>	<b>985,375,350</b>	<b>100</b>

#### 1.2. Corporate Governance Structures

The Company elaborated a Corporate Governance Regulation which is posted on the company website [www.biofarm.ro](http://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 Company, in compliance with Art. 94 from the Bucharest Stock Exchange Code, Book I – Title II Issuers and Financial Instruments, reports the status of compliance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange, the declaration of conformity being the annex to this report.

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

- The Board of Directors of BIOFARM S.A. during the period 01.01.2023 – 31.12.2023 was composed of:
  - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
  - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
  - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent
  - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
  - Rachid EL LAKIS – B.D. Member, non-executive, non-independent





On 31 December 2023, the company management team was provided by the following persons:

- ✓ Cătălin Constantin VICOL – General Manager
- ✓ Mihai ZOESCU – Chief Financial Officer
- ✓ Mirel FLORICĂ – Industrial Operations Director
- ✓ Ioana GORĂNESCU - Marketing Manager
- ✓ Dragoș MOISE – Trade Manager
- ✓ Dănuț Cristinel IORGA – Field Force Manager
- ✓ Monica Claudia DOBRISAN – Chief Accountant
- ✓ Cristina DIACONESCU - Quality Manager & Qualified Person
- ✓ Petruța STOICESCU – Manufacturing Manager
- ✓ Maria BOGDE - Human Resources Manager
- ✓ Valentin Daniel CONSTANTIN – Manager of Legal Department and Relationship with Investors
- ✓ Lucian BOGACIU – Administrative Manager
- ✓ Alina Valentina COVACI – Regulatory Affairs & Medical & Pharmacovigilance Manager
- ✓ Maria Diana VIZITIU - Controlling & Reporting Department Manager
- ✓ Tatiana PATOI – Export Department Manager
- ✓ Florin TALOI – IT Department Manager.

The members of the executive management have competences and responsibilities, pursuant to the job description/contract concluded with the Company.

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

All the persons who are part of the executive management of the company are employed with a contract for an indefinite period, except for the General Manager, Cătălin Constantin Vicol, the Chief Financial Officer, Mihai Zoescu, and Industrial Operations Director, Mirel Florică who have signed mandate contract.

There are no agreements, deals or family ties between the persons in the executive management of the company and another person due to which the person in the executive management was appointed as a member of the executive management.

The persons that are part of the executive management or of the Board of Directors of the company have not been involved in disputes or administrative procedures in relation to their activity within the issuer.

## 2. Material 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 individual financial statements were elaborated in conformity with International Financial Reporting Standards adopted by the European Union („IFRS”). The company elaborated these individual financial statements 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 company has no subsidiaries and does not prepare consolidated financial statements.

The individual financial statements have been approved by the Board of Directors during the meeting on 20 March 2024.

The main accounting policies applied upon the elaboration of financial statements are established below.

Preparing the financial statements in compliance with the adopted IFRS require the use of certain significant accounting estimates. Company management approves any modification of the accounting policies. The fields in which decisions were made and significant accounting estimates were carried out in the elaboration of financial statements and their effect are shown in the following paragraphs.

The accounting policies were consistently applied during periods presented in the individual financial statements prepared by the Company.

Also, the Company adopted the document "Presentation of accounting policies (Amendments to IAS 1 and Statement 2 regarding IFRS practice)" starting from January 1, 2023.

Although the amendments did not lead to changes in the accounting policies themselves, they had an impact, in some cases, on the information regarding the accounting policies presented in the financial statements.

The amendments provide for the presentation of accounting policies "with a material impact", rather than "significant" accounting policies. The amendments also provide guidance on the application of the concept of "material" in the presentation of accounting policies. Management has reviewed the accounting policies and, in some cases, updated the information presented in Note 2 Accounting policies with a material impact (2022: Significant accounting policies) in accordance with the amendments.

### **2.1. Bases of Assessment**

The individual financial statements are drafted based on the convention of the historic / amortized cost, except for the lands and buildings presented at a revalued cost by the use of the fair value and of the elements presented at their fair value, respectively the financial assets and debts at the fair value by the profit and loss account and the investment property, except for those for which the fair value cannot be reliably established.

### **2.2. Functional and Presentation Currency**

Company management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation", is the Romanian Leu (LEI). Individual 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 Valuations 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 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 recognized as income or expense in those future periods.

The company performs certain estimates and hypotheses regarding the future. Estimates and judgments are continually assessed based on the historical experience and on other factors, including the forecasting of future events 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 Land and Buildings Owned**

The company obtains assessments conducted by external evaluators 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. Considering the reduced number of clients, the evaluation of value adjustments on trade receivables is made individually, on each customer.

#### **(c) Judicial Procedures**

The company reviews the outstanding legal cases following the assessments within the legal proceedings and the existent situation at each reporting date, 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.

The Company sets up provisions for unfavorable Court decisions based on which a financial impact can be reasonable assessed.

#### **(d) Other 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 for the assets and based on exigible liabilities 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. Going Concern Principle**

The 12-month period concluded on 31 December 2023 continued in line with the expectations of Biofarm SA management, so that, on the date of financial statements, the company's management team does not consider that there is any aspect that would affect going concern principle, the volume of sales, cash flows and profitability. On the date of these financial statements, Biofarm SA has sufficient liquidity to meet its obligations at maturity and, therefore, applies the going concern principle as a basis for the preparation of financial statements.

### **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 linearly amortized 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 depreciation 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 depreciation deductions on a period of 3 years.

### **2.7. Property, plant and equipment**

Property, plant and equipment 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 property, plant and equipment assets must be recognized 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.

### **Valuation after Recognition**

After recognition as an asset, an item of property, plant and equipment (other than land and buildings) is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, buildings whose fair value can be measured reliably are carried at a revalued amount

The fair value of land is generally determined on the basis of comparative market values by valuation by qualified professional valuers. The fair value of land is generally its market value as determined by measurement.

Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is written off from the gross carrying amount of the asset and the net amount is recalculated at the revalued amount of the asset.

If an item of property, plant and equipment is revalued, then the entire class of property, plant and equipment to which that item belongs is revalued.

If the carrying amount of a property, plant and equipment is increased as a result of the revaluation, then the increase is recognized in other comprehensive income and accumulated in equity as revaluation surplus. However, the increase shall be recognized in the profit or loss account to the extent that it offsets a decrease in the revaluation of the same asset previously recognized in the profit or loss account.

If the carrying amount of an asset is written down as a result of a revaluation, that decrease shall be recognized in profit or loss. However, the reduction shall be recognized in other comprehensive income to the extent that the revaluation surplus presents a credit balance for that asset. The reduction recognized in other comprehensive income decreases the amount accumulated in equity as revaluation surplus.

The revaluation surplus included in equity relating to an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized. Transfers from revaluation surplus to retained earnings are not made through the profit or loss account.

If any, the effects of taxes on profit arising from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income taxes.

### **Depreciation and Amortization**

The depreciable value of an asset is systematically allocated on its useful life duration. Depreciation of an asset begins when it is available for use, that is, when it is in the location and condition necessary, 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 depreciated 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 non-current 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 non-current assets on important categories of assets:

<b>Category</b>	<b>Lifespan</b>
Buildings and constructions	8-40 years
Equipment and facilities	7-24 years
Means of transportation	4-6 years
Computer technology	2-15 years
Office furniture and equipment	3-15 years

### **Impairment**

To determine whether an element of non-current 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 if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to be equal to the recoverable amount. Such reduction represents depreciation loss. An impairment loss is recognized immediately in the profit or loss of the period, except for the situations in which the asset is considered to be revalued amount, in accordance with the provisions of another Standard (for example, in accordance with the revaluation model from the IAS 16 Property, plant and equipment). Any impairment loss in the case of a revalued asset is considered as being a decrease generated by revaluation.

### **2.8. Investment property – IAS 40**

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

- there is the possibility for future economic benefits associated to the real estate investment to flow to the entity;
- 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).



The fair value of the investment property is based on a valuation performed by an independent certified valuator who has relevant experience in valuating similar categories of properties.

After initial recognition, an entity that chooses the model of the fair value must assess all its real estate investments at their fair value.

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 deducting 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.

Non-current 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 realizable 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.

Semifinished goods are valued at raw materials and other materials used in the production process.

Finished goods are recorded at the production cost.

#### **Adjustments for Depreciation of Inventories**

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 regarding 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 analyzed. The accuracy of adjustments depends on future cash flows estimations.



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## **2.10. Financial Assets - IFRS 9**

### **Financial Assets Classification**

IFRS 9 provides an approach to the classification and measurement of financial assets that reflects the business model within which the financial assets are managed, and the cash flows characteristics.

The business model used by the Company to manage its financial assets is the one that involves the collection of contractual cash flows.

The financial assets that are held under this business model are managed to obtain cash flows by collecting contractual payments over the life of the instrument. This means that the Company manages the assets held in the portfolio to collect those contractual cash flows (rather than managing the overall return of the portfolio by both holding and selling the assets).

The assets held within this business model are not necessarily held until they reach maturity, sales are also possible with a "rare frequency", when the credit risk of the respective instruments has increased.

### **Analysis of cash flow characteristics (SPPI test)**

The SPPI test is the analysis of the contractual terms of the financial assets to identify whether the cash flows represent only payments of principal and interest corresponding to the principal.

IFRS 9 includes three categories for the classification of financial assets: measured at amortized cost, measured at fair value through comprehensive income and measured at fair value through profit or loss.

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test (please see financial assets sections of note 3). The company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is measured and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

### **Initial assessment of financial assets**

Financial assets are recognized on the date the Company becomes a party to the contract and the terms of that instrument.

The company recognizes cash and cash equivalents, cash deposits and receivables at transaction cost.





### **Subsequent measuring of financial assets**

The company measures its financial assets (i.e. trade receivables and bank deposits) at amortized cost.

The amortized cost of an asset is the value at which the asset is measured upon initial recognition, less principal payments, to which is added or subtracted accumulated depreciation up to that point of using the effective interest method, less reductions for impairment losses.

After initial recognition, a financial asset is classified as measured at amortized cost, only if two conditions are simultaneously met:

- the asset is held within a business model whose objective is to preserve financial assets to collect contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows representing exclusively principal and interest payments.

### **Other financial assets**

Other financial assets at amortized cost are bank deposits with an original maturity of more than 3 months, cash and bank accounts.

### **Receivables**

Receivables represent financial assets held within a business model whose objective is to keep those assets in order to collect contractual cash flows and whose contractual terms give rise, on specified dates, to cash flows representing exclusively principal and interest payments.

Receivables include trade receivables and other receivables. They consist mainly of customers and assimilated accounts that include invoices issued at nominal value and estimated receivables related to the services provided, but invoiced in the period after the end of the period.

Final losses may vary from current estimates. Due to the inherent lack of information related to the financial position of clients and the lack of legal collection mechanisms, estimates of probable losses are uncertain. However, the management of the Company made the best estimate of the losses and considers that this estimate is reasonable under the given circumstances. In estimating the losses, the Company also took into account previous experience, with a view to both individual and collective estimates, as presented in Note 3.

Trade receivables are recorded at the invoiced value. Subsequently, the Company recognizes the expected credit losses, according to the provisions of IFRS 9 and are classified as being measured at amortized cost.

### **Identification and measuring of the expected credit loss**

The carrying amount of an asset may be reduced by the Company by using an allowance account for any expected credit losses. Expected credit losses are recognized in the profit or loss account.

### **Measuring**

For trade receivables, the Company uses the simplified method to measure ECLs. Thus, the estimates and assumptions associated with these estimates are based on historical experience, as well as on other factors considered reasonable in the context of these estimates. The results of these estimates and assumptions form the basis of judgments



regarding the book values of assets that cannot be obtained from other sources of information.

The company has a small number of active clients and performs an individual analysis regarding the recovery of commercial and other receivables.

### **Individual analysis**

The company performs individual analyzes of the degree of recovery of trade receivables and other receivables, based on the delays reported to maturity according to invoices/other documents and the stage of the litigation (if there is such a case). A provision of 100% of the gross value is recorded for all customers in litigation and for debts outstanding for more than 120 days.

Expected credit loss is the difference between all contractual cash flows that are owed to the Company and all cash flows that the Company expects to receive, discounted at the original effective interest rate.

### **Derecognition**

The company derecognizes an impairment of previously established receivables at the time of recovery in full or in proportion to the recovered part.

The company derecognizes a financial asset when the contractual rights to the cash flows generated by the asset expire, or when the rights to collect the contractual cash flows of the financial asset are transferred, through a transaction whereby the risks and rewards of ownership of the financial asset are significantly transferred.

### **2.11. Financial Liabilities**

Financial liabilities are recognized on the date the Company becomes a party to the contractual provisions of the instrument (transaction date). Financial liabilities are valued at the time of initial recognition at fair value, minus, in the case of financial liabilities that are not at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the respective financial liabilities.

Subsequently of initial recognition, these financial liabilities are measured at amortized cost.

Debts to suppliers and other debts, initially recorded at fair value and later evaluated using the effective interest method, include the counter value of invoices issued by suppliers of products, works performed and services rendered.

### **Compensations**

Financial assets and liabilities are offset, and the net result is presented in the statement of financial position only when there is a legal right to offset and if there is the intention to settle them on a net basis or if the Company intends to realize the asset and settle the debt simultaneously.



## **Derecognition**

An entity derecognizes a financial liability (or part of a financial liability) from the statement of financial position when and only when it is settled, that is, when the obligation specified in the contract is extinguished or canceled or expires.

### **2.12. Recognition of Income and Expenses**

#### **2.12.1. Recognition of Income**

IFRS 15 Revenue from Contracts with Customers establishes a five steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

In accordance with IFRS 15, the revenue is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. **Assessment of Income**

The Company recognizes the revenue when the goods are shipped to our customers from our warehouse based on ex-works incoterms.

The revenues are recognized net of any trade discounts offered to customers.

Other operating income includes income/gains from all other operating activities which are not related to the ordinary activities of the Company, such as gains/losses from sales of assets

#### **2.12.2. 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 concretized in reductions of equities, others than those resulted from their distribution to shareholders.

### **2.13. 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 recognized 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.

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

- disputes;
- employees benefits;
- other provisions.



Provisions for disputes are estimated based on Court decisions while provisions for employees' benefits are estimated in line with contractual terms and management decision to grant certain benefits.

Provisions previously constituted are periodically analyzed and updated.

#### **2.14. 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 Employment 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 favor 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 contracts an certified actuary to perform a statistical-actuarial calculation yearly and has as its purpose the recognition of expenses with benefits during the period in which the employee contributed to the realization of company income. The liability is split between short-term and long-term based on the actuary report.

#### **2.15. Deferred Tax - IAS 12**

In the calculation of the deferred tax, the company will consider 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:

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 recognized.

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



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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.

### **2.16. 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 recognized as a debt at the end of the reporting period. Upon the accounting of dividends, the provisions of IAS 10 are considered.

### **2.17. 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 equity includes: share capital, own shares, share premiums, revaluation reserves, reserves, retained earnings, result of the financial year. The entity was established according to the 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.

### **2.18. Financing Costs**

An entity must capitalize 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 recognize 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.

### **2.19. 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.

### **2.20. Affiliated Parties**

A person or a close member of the family of the respective person is considered a related 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 are represent by the General Manager and by the members of the Board of Directors 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).

## 2.21. Segment reporting

A segment is a part of the Company that engages in segments of activity from which it can obtain income and record expenses (including income and expenses corresponding to transactions with other parts of the same entity), whose operational results are regularly monitored by the Company's management in order to make decisions regarding the resources to be allocated to the segment and to evaluate its performance and for which separate financial information is available. The Company does not have significant geographic or activity segments according to IFRS 8, "Operational segments" and does not have an internal management and reporting structure divided into segments.

The main income described in Note 4 is all related to the main objects of activity of the Company (the income from the sale of finished products and goods represents the main activity of the Company and is analyzed together by its management).

## 2.22. Modifications brought to the Accounting Policies

During the year of 2023, the Biofarm S.A has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
IFRS 17	New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates



Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

\* exception specified in amendments to IAS 12 (that an entity does not recognize and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

**New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective**

At the date of authorization of these financial statements, Biofarm S.A. has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

**New and revised IFRS Accounting Standards in issue but not adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at 31 December 2023:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

Biofarm S.A. do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.



**APPENDIX: BRIEF DESCRIPTIONS OF NEW AND REVISED STANDARDS**

- **IFRS 17 “Insurance Contracts”** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.
- **Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies** issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020 and **Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” - Supplier Finance Arrangements** issued by IASB on 25 May 2023. Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.





- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates** issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction** issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 12 “Income Taxes” - International Tax Reform – Pillar Two Model Rules** issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.
- **Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Lack of Exchangeability** issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.



### 3. Financial Instruments and Risks Management

The company is exposed through 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
- Term bank deposits
- Cash and cash equivalents
- Trade payables and other payables

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

<b>ASSETS</b>	<b>Loans and receivables</b>	
	<b>31 December 23</b>	<b>31 December 22</b>
Commercial and assimilated receivables	88,610,988	118,736,850
Term bank deposits	91,000,000	-
Cash and cash equivalents	20,660,190	82,713,880
<b>Total</b>	<b>200,271,178</b>	<b>201,450,730</b>

<b>DEBTS</b>	<b>At amortized cost</b>	
	<b>31 December 23</b>	<b>31 December 22</b>
Commercial and similar debts	45,579,957	57,712,304
Long-term debts	10,385,228	23,426,899
<b>Total</b>	<b>55,965,185</b>	<b>81,139,203</b>

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:



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**Credit Risk**

Credit risk is the risk that Biofarm SA will incur a financial loss as a result of non-fulfillment of contractual obligations by a client or a counterparty to a financial instrument, and this risk results mainly from the commercial receivables of the Company.

The company applies specific policies to ensure that the sale of products is carried out in such a way that the trade credit granted is adequate and continuously monitors the age of receivables. In this respect, measures have been taken to verify the creditworthiness of customers and the Company's exposure to credit risk, as well as to insure receivables with specialized companies. At company level there is a Commercial Policy, approved by the Board of Directors. In it, the commercial conditions of sale are clearly presented and there are conditions imposed in the selection of customers.

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

The collection period of net receivables is on average 102 days. Biofarm SA has managed to permanently ensure its liquidity needs and solvency at high levels and will try to maintain the positive trend of receivables collection periods.

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

The Company considers the following to be an event of default for the purposes of internal credit risk management because historical experience indicates that financial assets that meet any of the following criteria are generally not recoverable:

- When there is a breach of financial agreements by the debtor.
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (disregarding any security held by the Company), e.g. when the debtor was put into liquidation or became insolvent.

Regardless of the above analysis, the Company considers default to have occurred when a financial asset is more than 120 days past due, unless the Company has reasonable and sustainable information to demonstrate that the risk of default is not significant.

Provisioned financial assets may still be subject to enforcement activities according to the Company's recovery procedures, taking into account legal advice, where appropriate. Any recoveries made are recognized in profit or loss.

Cash and cash equivalents are placed only in leading banking institutions considered to have high solvency.



### **Credit Risk Exposure**

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	<b>31 December 23</b>	<b>31 December 22</b>
Gross trade receivables	101,546,810	133,415,694
Expected credit losses for receivables	(12,935,822)	(14,678,845)
<b>Net trade receivables</b>	<b>88,610,988</b>	<b>118,736,850</b>
Other receivables	16,924,517	15,874,895
Term bank deposits	91,000,000	-
Cash & cash equivalents	20,660,190	82,713,880
	<b>217,195,695</b>	<b>217,325,624</b>

### **Liquidity Risk**

Liquidity risk is the risk that Biofarm S.A. will encounter difficulties in meeting the obligations associated with financial debts that are settled in cash. The Company's approach to liquidity risk is to ensure, to the extent possible, that all times it holds sufficient liquidity to meet its debts when they become due, both under normal and difficult circumstances, without incurring significant losses or endanger the Company's reputation.

In general, the Company ensures that it has sufficient cash to cover expected operational expenses, including the payment of financial debts.

To manage liquidity risk, cash flows are monitored and analyzed quarterly and annually to establish the estimated level of net changes in liquidity.

### **Exposure to liquidity risk**

The contractual maturities of financial assets and liabilities are as follows:

	Book value	Unadjusted value	Below 1 month	Between 1 and 3 months	Between 3 and 12 months	Above 1 year	No maturity determined
<b>31 December 2023</b>							
<b>Financial Assets</b>							
Cash and Cash at banks	17,962,710	17,962,710	17,962,710	-	-	-	-
Deposits placed below 3 months maturity	2,697,480	2,697,480	2,697,480	-	-	-	-
Deposits placed above 3 months maturity	91,000,000	91,000,000	29,000,000	27,000,000	35,000,000	-	-
Trade receivables	86,165,730	86,165,730	77,000,691	6,798,729	2,366,311	-	-
Other receivables	17,471,639	17,471,639	-	-	-	-	17,471,639
Interest receivables	1,898,136	1,898,136	844,240	690,563	363,333	-	-
<b>Total financial assets</b>	<b>217,195,695</b>	<b>217,195,695</b>	<b>127,505,121</b>	<b>34,489,291</b>	<b>37,729,644</b>	<b>-</b>	<b>217,195,695</b>
<b>Financial Liabilities</b>							
Trade and other debts	45,579,957	45,579,957	12,007,415	23,663,440	9,909,103	-	-
Other long-term debts	10,385,228	10,385,228	4,015,099	-	-	-	6,370,129
<b>Total Financial Liabilities</b>	<b>55,965,185</b>	<b>55,965,185</b>	<b>16,022,514</b>	<b>23,663,440</b>	<b>9,909,103</b>	<b>-</b>	<b>6,370,129</b>



INDIVIDUAL FINANCIAL STATEMENTS NOTES  
for the 12 months period ended at 31 December 2023  
(all amounts are expressed in LEI, unless otherwise mentioned)

	Book value	Unadjusted value	Below 1 month	Between 1 and 3 months	Between 3 and 12 months	Above 1 year	No maturity determined
<b>31 December 2022</b>							
<b>Financial Assets</b>							
Cash and Cash at banks	9,896,120	9,896,120	9,896,120	-	-	-	-
Deposits placed below 3 months maturity	72,817,760	72,817,760	49,517,760	23,300,000	-	-	-
Deposits placed above 3 months maturity	-	-	-	-	-	-	-
Trade receivables	17,664,030	117,664,030	106,237,197	11,426,833	-	-	-
Other receivables	16,229,026	16,229,026	-	-	-	-	16,229,026
Interest receivables	718,687	718,687	416,499	302,188	-	-	-
<b>Total financial assets</b>	<b>217,325,623</b>	<b>217,325,623</b>	<b>166,067,576</b>	<b>35,029,021</b>	-	-	<b>16,229,026</b>
<b>Financial Liabilities</b>							
Trade and other debts	57,712,304	57,712,304	16,003,845	27,842,649	13,865,810	-	-
Other long-term debts	23,426,899	23,426,899	18,378,496	-	-	-	5,048,402
<b>Total Financial Liabilities</b>	<b>81,139,203</b>	<b>81,139,203</b>	<b>34,382,341</b>	<b>27,842,649</b>	<b>13,865,810</b>	-	<b>5,048,402</b>

### 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 analyzed by the company management.

### Market Risk

The Romanian economy is in continuous development, and there is a lot of uncertainty regarding the possible orientation of politics and economic development in the future. The Company's management cannot foresee the changes that will take place in Romania and their effects on the financial situation, on the operating results and the treasury flows of the company.

### Currency Risk

Biofarm SA is exposed to currency exchange risk through its sales, purchases and availability which are denominated in currencies other than the Company's functional currency, however the currency in which most transactions are carried out is RON.

The currencies that expose the Company to this risk are, mainly, EUR. The different results are included in the Statement of the overall result and do not affect the cash flow until the time of liquidation of the debt. As of December 31, 2023, the company has cash, trade receivables and trade liabilities in foreign currency, the rest of the financial assets and financial liabilities are kept in lei.



On December 31, 2023, the Company's net exposure to foreign exchange risk was as follows:

	EUR (1EUR=4.9746)	USD (1USD=4.4958)	GBP (1GBP=5.7225)	RON 1RON	TOTAL
<b>31 December 2023</b>					
Cash, Cash at Banks and Deposits	868,955	2,994,850	3,853	107,792,533	111,660,190
Trade and other receivables	18,539	1,111,473	-	104,405,492	105,535,505
<b>Total financial assets</b>	<b>887,494</b>	<b>4,106,323</b>	<b>3,853</b>	<b>212,198,025</b>	<b>217,195,695</b>
<b>31 December 2023</b>					
Trade and other Liabilities	5,945,165	160,727	-	49,859,294	55,965,185
<b>Total financial liabilities</b>	<b>5,945,165</b>	<b>160,727</b>	<b>-</b>	<b>49,859,294</b>	<b>55,965,185</b>
<b>31 December 2022</b>					
Cash, Cash at Banks and Deposits	25,043,709	3,705,090	3,762	53,961,319	82,713,880
Trade and other receivables	(97,767)	1,065,267	-	133,644,243	134,611,743
<b>Total financial assets</b>	<b>24,945,941</b>	<b>4,770,357</b>	<b>3,762</b>	<b>187,605,562</b>	<b>217,325,623</b>
<b>31 December 2022</b>					
Trade and other Liabilities	7,797,439	679,756	-	72,662,007	81,139,202
<b>Total financial liabilities</b>	<b>7,797,439</b>	<b>679,756</b>	<b>-</b>	<b>72,662,007</b>	<b>81,139,202</b>

Considering the relatively low exposure to exchange rate fluctuations, it is not expected that reasonable exchange rate fluctuations will produce significant effects in the future financial statements.

### **Capitals Adequacy**

The objectives of the Company in capital management are those to ensure protection and the ability to reward its shareholders, to maintain an optimal capital structure to reduce capital costs.

Company management does not estimate any difficulties in keeping commitments to shareholders and obligations to third parties, the available current and future liquidity being sufficient to cover the payments of the next period.



#### 4. Income from Contracts with Clients

The income from sales includes the following elements:

	<b>For 12 month period ended at</b>	
<b>Sales income</b>	<b>31 December 23</b>	<b>31 December 22</b>
Sales of finished goods	418,135,665	365,300,941
Sales of merchandise	4,662,666	7,108,977
Waste sales income	34,744	8,019
Trade discounts	(142,544,300)	(95,435,245)
<b>TOTAL</b>	<b>280,288,775</b>	<b>276,982,692</b>

	<b>For 12 month period ended at</b>	
<b>Sales income</b>	<b>31 December 23</b>	<b>31 December 22</b>
Domestic sales, net	272,174,859	271,286,172
Foreign sales, net	8,113,916	5,696,520
<b>TOTAL</b>	<b>280,288,775</b>	<b>276,982,692</b>

The turnover is realized mainly from the sale of finished goods directly to pharmaceutical distributors (for the internal market) by the sale point from Drumul Gura Badicului Street nr. 202-232, sector 3, Bucharest. Some of the products sold by Biofarm are produced by third parties and revenues from the sale of these products are classified as "Sales of merchandise".

Net export sales in 2023 were of lei 8,113,916 (2022: lei 5,696,520), representing approximately 3% of the total net sales of Biofarm S.A.

More information related to 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:

	<b>For 12 month period ended at</b>	
<b>Raw materials and consumables</b>	<b>31 December 23</b>	<b>31 December 22</b>
Raw materials	27,739,581	30,929,532
Auxiliary materials	18,744,211	18,154,102
Merchandise	1,256,024	1,323,601
Inventory objects	207,518	304,881
Other consumables	680,094	571,055
<b>TOTAL</b>	<b>48,627,428</b>	<b>51,283,171</b>

#### 6. Personnel Expenses

Personnel expenses have the following structure:

	<b>For 12 month period ended at</b>	
<b>Personnel expenses</b>	<b>31 December 23</b>	<b>31 December 22</b>
Salaries	50,584,271	44,653,450
Fees and social contributions	2,278,583	1,951,258
Other benefits	(55,306)	1,192,265
<b>TOTAL</b>	<b>52,807,548</b>	<b>47,796,973</b>



The Company is managed in a unitary system, under the Companies Law No. 31/1990, company management being ensured by the Board of Directors of SC Biofarm S.A.

Key Management Personnel is represented by General Manager and Board of Directors members.

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

<b>Description</b>	<b>For 12 month period ended at</b>	
	<b>31 December 23</b>	<b>31 December 22</b>
Contracts of the Board of Directors and General Manager	4,536,919	4,399,207
<b>TOTAL</b>	<b>4,536,919</b>	<b>4,399,207</b>

## 7. Other Operating Expenses

Other operating expenses include the following:

<b>Other operating expenses</b>	<b>For the period of 12 months concluded on</b>	
	<b>31 December 23</b>	<b>31 December 22</b>
Utilities	8,739,801	9,081,274
Repairs	2,148,106	2,102,263
Insurance	1,219,835	1,127,832
Bank fees	38,990	38,782
Advertising and promotion of products	56,873,015	57,892,367
Travel and transportation	1,455,253	4,313,311
Post and telecommunications	341,596	361,567
Other services provided by third parties	11,131,223	9,179,038
Other taxes and duties	3,532,673	3,615,044
Expenses from the disposal of assets	9,903	-
Losses and adjustments for doubtful receivables	(1,724,474)	56,594
Inventory adjustments	1,220,935	2,812,900
Donations and grants	1,784,419	1,994,125
Currency exchange expenses	156,898	-
Other operating expenses	1,916,298	884,618
Litigation provisions *	253,495	1,211,905
<b>TOTAL</b>	<b>89,097,966</b>	<b>94,671,620</b>

## 8. Net Financial Income

The net financial income has the following structure:

<b>Net financial income/(costs)</b>	<b>For the period of 12 months concluded on</b>	
	<b>31 December 23</b>	<b>31 December 22</b>
Interest income	6,881,775	3,138,361
Costs with interests	(2)	(89)
<b>TOTAL</b>	<b>6,881,773</b>	<b>3,138,272</b>





## 9. Corporate Tax Expenses

Tax expenses	For the period of 12 months concluded on	
	31 December 23	31 December 22
Current profit tax expense	10,247,470	12,288,635
Deferred tax expense/(income)	(3,549,050)	(2,325,587)
<b>TOTAL</b>	<b>6,698,420</b>	<b>9,963,048</b>

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 12 months concluded on	
	31 December 23	31 December 22
Income and items similar to income	303,845,972	301,199,752
Total expenses (less corporate tax)	(220,134,654)	(220,319,442)
<b>Accounting result</b>	<b>83,711,318</b>	<b>80,880,310</b>
Deductions (fiscal depreciation)	(18,270,835)	(15,272,682)
Non-deductible expenses/(Non-taxable income)	18,380,086	34,125,168
<b>Fiscal result</b>	<b>83,820,569</b>	<b>99,732,796</b>
Corporate tax (fiscal result x 16%)	13,411,291	15,957,247
Profit tax reductions calculated according to the legislation in force	(3,163,821)	(3,668,612)
<b>Total corporate tax</b>	<b>10,247,470</b>	<b>12,288,635</b>
<b>Effective tax rate</b>	<b>12%</b>	<b>15%</b>

Variation of the deferred profit tax, (expense)/income is:

### Deferred tax (expense)/income:

	31 December 23	31 December 22
<b>Assets</b>		
Salary liabilities	(17,490)	196,088
Adjustments for depreciation of property, plant and equipment	(279,572)	(115,080)
Adjustments for depreciation of doubtful receivables	(1,592,501)	(36,213)
Non-invoiced contractual obligations	5,731,049	1,355,596
Other debts	(460,872)	719,863
	<b>3,380,615</b>	<b>2,120,254</b>
<b>Liabilities</b>		
Property plant and equipment – recognized in the income statement	<b>168,435</b>	<b>205,333</b>
<b>TOTAL</b>	<b>3,549,050</b>	<b>2,325,587</b>



**10. Earnings per share**

	For 12 month period ended at	
	31 December 23	31 December 22
Net profit (A)	77,012,898	70,917,262
Number of ordinary shares (B)	985,375,350	985,375,350
Own shares held (C)	8,126	8,126
<b>Earnings per share (A/(B-C))</b>	<b>0.0782</b>	<b>0.0720</b>

On 31 December 2023, the company did not have a property title on the land in use from str. Logofățul Tăutu nr. 99.

The land in use from str. Logofățul Tăutu, nr. 99 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.

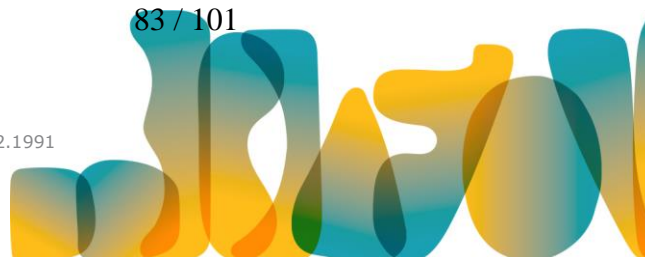
In compliance with provisions of the GD 834/1991 art. 1, the company requested the obtaining of the attesting certificate regarding the property title for the land, for the lands necessary to carry out the activity according to the activity object.

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 will increase as well, and the respective shares will become state property.



## 11. Non-current Assets

Cost	Lands	Buildings	Technical installations and machines	Other installations, machinery and furniture	Tangible assets under progress	Total
<b>31 December 2021</b>	<b>7,993,073</b>	<b>73,261,701</b>	<b>133,905,323</b>	<b>3,826,430</b>	<b>25,793,085</b>	<b>244,779,612</b>
Purchases	-	-	14,302,488	283,124	25,174,761	39,760,373
Outputs	-	-	(1,403,931)	(97,482)	(14,585,613)	(16,087,026)
<b>31 December 2022</b>	<b>7,993,073</b>	<b>73,261,701</b>	<b>146,803,880</b>	<b>4,012,072</b>	<b>36,382,234</b>	<b>268,452,959</b>
Purchases	1,124,786	641,319	7,279,871	214,462	29,053,702	38,314,140
Outputs	-	-	(2,822,449)	(293,274)	(9,260,438)	(12,376,162)
Revaluation	1,806,254	(8,927,639)	-	-	-	(7,121,385)
<b>31 December 2023</b>	<b>10,924,113</b>	<b>64,975,381</b>	<b>151,261,302</b>	<b>3,933,260</b>	<b>56,175,497</b>	<b>287,269,551</b>
<b>Accumulated depreciation</b>						
<b>31 December 2021</b>	<b>18,658</b>	<b>7,756,716</b>	<b>69,786,226</b>	<b>1,827,097</b>	<b>794,655</b>	<b>80,183,352</b>
Period cost	39,528	3,771,042	11,075,876	457,235	-	15,343,681
Outputs/Transfers	-	-	(1,403,931)	(97,482)	-	(1,501,413)
Revaluation	<b>58,186</b>	<b>11,527,758</b>	<b>79,458,171</b>	<b>2,186,850</b>	<b>794,655</b>	<b>94,025,619</b>
<b>31 December 2022</b>	<b>39,529</b>	<b>3,773,119</b>	<b>12,586,303</b>	<b>480,351</b>	<b>-</b>	<b>16,879,301</b>
Period cost	-	-	(2,815,199)	(290,621)	-	(3,105,820)
Outputs/Transfers	-	(15,300,877)	-	-	-	(15,300,877)
<b>31 December 2023</b>	<b>97,715</b>	<b>-</b>	<b>89,229,274</b>	<b>2,376,580</b>	<b>794,655</b>	<b>92,498,224</b>
<b>AMORTIZATION</b>						
Impairment 2019	-	(2,647,669)	(2,905,912)	-	-	(5,553,581)
Impairment 2020	-	278,099	524,198	-	(974,539)	(172,242)
Impairment 2021	-	97,004	290,948	-	-	387,952
Impairment 2022	-	525,241	1,316,142	-	-	1,841,383
Impairment 2023	-	1,747,325	677,263	-	16,903	2,441,491
<b>Total impairment</b>	<b>-</b>	<b>-</b>	<b>(97,361)</b>	<b>-</b>	<b>(957,636)</b>	<b>(1,054,997)</b>
<b>NET CARRYING AMOUNT</b>						
<b>31 December 2021</b>	<b>7,974,415</b>	<b>63,232,420</b>	<b>62,028,331</b>	<b>1,999,333</b>	<b>24,023,892</b>	<b>159,258,390</b>
<b>31 December 2022</b>	<b>7,934,887</b>	<b>59,986,617</b>	<b>66,571,085</b>	<b>1,825,222</b>	<b>34,613,040</b>	<b>170,930,851</b>
<b>31 December 2023</b>	<b>10,826,397</b>	<b>64,975,381</b>	<b>61,934,666</b>	<b>1,556,680</b>	<b>54,423,206</b>	<b>193,716,330</b>



### **Revaluation of Non-Current Assets**

Land and Buildings are revalued on a regular basis so that the market value does not differ significantly from the accounting value. The last assessment was done on 31.12.2023, when land and buildings owned by the company were revalued by an associate member of the National Association of Romanian Valuers (ANEVAR). Land and buildings are presented in the balance sheet at fair value, estimated according to the trading values of comparable assets on the market.

#### **Land**

The land revaluation report was transposed in accounting on 31.12.2023. The result of lands appraisal is presented in the table below:

Description	Revalued value 31.12.2021	Revalued value 31.12.2023	Appreciation 2023
Land located in Bucharest 3, 202-232 Drumul Gura Badicului street	7.618.659	9.424.913	1.806.254

The calculation methodologies in the chosen methods are based on the hypothesis that the evaluated subject land is considered free, unoccupied and also on the assumption that the property is unencumbered. The direct comparison method is based on the economic principle of substitution. The value of the land derives from the market records of the transaction prices of similar lands, respectively the market value can be determined following the analysis of the market prices of comparable free lands, from the same market area, which were traded at a date close to evaluation. The analysis of prices or offers for the sale of similar free lands is followed by the performance of corrections of comparable prices.

#### **Land – Investment property**

On 31.12.2023, Biofarm S.A. revalued the land of 42-44 Iancu de Hunedoara boulevard, Bucharest 1. According to the revaluation report, the land was revalued at the amount of lei 12,161,653 thus, an appreciation in the amount of lei 380,790 was recorded, as compared to the revalued amount of lei 11,780,863 on 31.12.2022 and is provided in Note 12, Real estate investments.

#### **Buildings**

The result of the revaluation report for the buildings owned by Biofarm S.A. was recorded in the financial statements on 31.12.2023 as the revaluation reports showed significant differences, a fair value of lei 64,975,431 compared to the accounting value of lei 58,602,194.

### **Depreciation of Non-Current Assets**

Accounting amortization is calculated by using the linear method. For the new non-current assets, entered in 2023 such as installations, cars and measurement and control devices, the useful life durations were established considering:

- 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.

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### **Advances for Non-Current Assets**

On the date of the financial statements, Biofarm SA had advances paid for non-current assets under progress in the amount of lei 8,259,094.

### **Scrapping and Impairment of Non-current Assets**

Once with the count of the company's assets, the non-current assets with no depreciable value as at 31.12.2023 were proposed for scrapping.

### **Litigations and Property Rights for Land**

Biofarm was set up as a company based on Government Decision 1224/1990. Biofarm requested the title of deeds for the land located at Logofătul Tăutu nr. 99 in accordance with Government Decision 834/1991.

On 31 December 2023, the company did not hold a property title on the land in use from str. Logofătul Tăutu nr. 99.

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

For the litigations pending before the courts of law in which Biofarm S.A. company is involved, taking into account the sentences, in 2023, a provision was established in the amount of lei 1,465,400.

## **12. Investment Property**

The land held by Biofarm S.A. in Bucharest, Bd-ul Iancu de Hunedoara, sector 1, a Real Estate Investment, not being used by the company for carrying out the operating activity and kept for capital appreciation. The revaluation method is presented in the accounting policies in note 2.8.

	<b>31 December 23</b>	<b>31 December 22</b>	<b>31 December 21</b>
<b>Opening Balance of the period</b>	<b>11.780.863</b>	<b>11.697.338</b>	<b>11.507.054</b>
Fair value change	380.790	83.525	190.284
<b>Closing Balance of the period</b>	<b>12.161.653</b>	<b>11.780.863</b>	<b>11.697.338</b>

### 13. Intangible Assets

Intangible assets include mainly software licenses for different IT applications.

The changes in the acquisition and amortization cost afferent to intangible assets are presented in the following table:

	31 December 23	31 December 22
<b>Cost</b>		
Initial balance	2,629,288	<b>3,367,930</b>
Inputs	788,435	-
Outputs	(733,200)	(738,642)
Final balance	<b>2,684,523</b>	<b>2,629,288</b>
<b>Depreciation/adjustments for depreciation</b>		
Initial balance	(2,565,330)	(3,147,122)
Period cost	(80,584)	(156,850)
Outputs	733,200	738,642
Final balance	<b>(1,912,714)</b>	<b>(2,565,330)</b>
<b>Net value</b>	<b>771,809</b>	<b>63,958</b>

### 14. Inventories

Description	31 December 23	31 December 22
Raw materials and consumables	41,059,553	40,511,780
Adjustments of raw materials and consumables	(1,925,015)	(2,120,484)
Production under progress and semi-finished products	2,633,287	2,818,058
Adjustments of production under progress	-	(70,320)
Finished products	16,373,830	15,590,124
Allowance for finished products	(1,370,854)	(688,658)
Merchandise	3,277,555	2,772,974
Allowance for merchandise	(2,094,447)	(2,158,992)
<b>TOTAL</b>	<b>57,953,909</b>	<b>56,654,482</b>

In the existing market context, with delays in the delivery of some raw materials by suppliers and with unpredictable price increases, Biofarm S.A. made sure that it had the necessary inventories of raw materials and packaging materials for the following period.

### 15. Trade and Other Receivables

Description	31 December 23	31 December 22
Trade receivables	98,911,314	132,134,088
Adjustments for trade receivables	(12,745,584)	(14,470,058)
Sundry debtors and other receivables	708,669	515,679
Adjustments for other receivables	(161,548)	(161,548)
Interest to be collected for cash deposits	1,898,136	718,687
<b>Total financial assets other than cash,</b>	<b>88,610,987</b>	<b>118,736,848</b>
Other receivables from the State Budget	14,528,712	13,036,083
Advances	1,518,702	1,999,018
Accrued expenses	877,104	839,795
<b>TOTAL</b>	<b>105,535,505</b>	<b>134,611,744</b>

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

The company did not pledge or discount trade receivables.

Seniority analysis	31 December 23	31 December 22
Receivables not yet due	79,445,948	107,310,015
Adjusted outstanding receivables:		
up to 3 months	6,798,729	11,426,833
between 3 and 6 months	2,366,310	-
between 6 and 12 months	-	-
over 12 months	12,907,132	14,631,606
<b>TOTAL</b>	<b>101,518,119</b>	<b>133,368,454</b>

On 31 December 2023, the company has recorded adjustments for trade receivables representing customers' balance which is unlikely to be received by the company anymore in the amount of lei 12,907,132.

Customer adjustments and other receivables	31 December 23	31 December 22
<b>At the beginning of the period</b>	<b>14.631.606</b>	<b>14.687.492</b>
Constituted	-	-
Adjustments cancellation	(1.724.474)	(55.886)
<b>At the end of the period</b>	<b>12.907.132</b>	<b>14.631.606</b>

The company has a small number of active clients and performs an individual analysis for the recovery of commercial and other receivables. In 2023 Biofarm S.A. insured the company's claims by concluding an insurance policy.

Individual analysis: The company performs individual analyzes of the degree of recovery of trade receivables and other receivables, based on the stage of the litigation and the delays reported to maturity according to invoices/other documents. A provision of 100% of the gross value is recorded for all customers in litigation and for debts outstanding for more than 120 days.

According to IFRS 9, the company analyzed the balances of all customers and decided not to constitute any additional impairment adjustment on December 31, 2023 compared to December 31, 2022.

### 16. Cash and Cash Equivalents and Term bank deposit

Bank term deposits includes the money in deposits at the banks with a due date over 3 months:

<b>Bank term deposits</b>	<b>31 December 23</b>	<b>31 December 22</b>
Bank term deposits	91,000,000	-
<b>TOTAL</b>	<b>91,000,000</b>	<b>-</b>

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:

<b>Cash and cash equivalents</b>	<b>31 December 23</b>	<b>31 December 22</b>
Cash in bank	1,851,138	1,569,998
Cash and cash equivalents	4,767	26,647
Deposits	18,804,285	81,117,235
<b>TOTAL</b>	<b>20,660,190</b>	<b>82,713,880</b>

### 17. Trade and Other Payables

<b>Trade and Other Payables</b>	<b>31 December 23</b>	<b>31 December 22</b>
Trade payables	35,166,895	46,417,359
Suppliers of assets	1,092,592	2,655,910
Debts in relation to employees	2,029,336	1,039,439
Untaken holiday	1,597,944	1,370,729
Salary bonuses	5,003,072	5,489,773
Benefits granted upon retirement	44,972	54,173
Guarantees of suppliers	645,146	684,922
<b>Total debts less loans, classified as measured at an amortized cost</b>	<b>45,579,957</b>	<b>57,712,305</b>
Taxes and social contributions	2,389,082	1,974,462
Other tax debts	1,604,756	450,261
Dividends	6,370,129	5,048,402
<b>TOTAL</b>	<b>55,943,924</b>	<b>65,185,430</b>
<b>Contractual debts</b>	<b>21,261</b>	<b>15,953,773</b>
	<b>55,965,185</b>	<b>81,139,203</b>



Contractual debts represent the natural rebate debt related to the sales during the reported period. This natural rebate will be granted during the next period.

<b>Long-term debts</b>	<b>31December23</b>	<b>31December22</b>
Long-term debts *	899,350	835,121
<b>Total</b>	<b>899,350</b>	<b>835,121</b>

\* The amount presented under "Long-term debt", according to the annual 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 following period, up to 12 months, have been reclassified to "Salary rights provisions".

The variation of debts for the benefit granted upon retirement is presented in the following table:

<b>Salary obligations</b>	<b>Total</b>
<b>31 December 22</b>	<b>889,264</b>
Establishments during the period	150,210
Uses during the period	(95,152)
<b>31 December 23</b>	<b>944,322</b>

<u><b>Hypotheses</b></u>	<u><b>Retirement benefits</b></u>
<b>Debt presented value on 31.12.2023 (RON)</b>	<b>944,322</b>
Reduction percentage +1%	863,217
Reduction percentage -1%	1,036,999
Salary increase rate +1%	1,037,630
Salary increase rate -1%	861,288
Longevity + 1 year	940,335

## 18. Deferred Tax

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

<b>Description</b>	<b>31 December 23</b>	<b>31 December 22</b>
Opening balance	<b>9,771,214</b>	<b>7,445,627</b>
Deferred tax income	3,549,050	2,325,587
Deferred tax recognized in equity	(1,315,143)	-
<b>Final balance (asset)</b>	<b>12,005,121</b>	<b>9,771,214</b>

The deferred tax refers to the following:

	<b>31 December 23</b>	<b>31 December 22</b>
<b>Assets</b>		
Salary liabilities	1,222,478	1,239,968
Impairment adjustments for Property Plant and equipment	-	279,572
Impairment adjustments for doubtful receivables	198,899	1,791,400
Non-invoiced contractual obligations	13,604,766	7,873,716
Other debts	1,068,330	1,529,202
	<b>16,094,473</b>	<b>12,713,858</b>
<b>Debts</b>		
Property, plant and equipment – recognized in statement of financial position	(2,440,711)	(2,609,146)
Property, plant and equipment– recognized in Equity	(1,648,641)	(333,498)
	<b>(4,089,352)</b>	<b>(2,942,644)</b>
<b>TOTAL</b>	<b>12,005,121</b>	<b>9,771,214</b>

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

## 19. Other provisions

### Other provisions

	<b>31 December 21</b>	<b>1,800,000</b>
Establishments during the period		4,506,192
Uses during the period		(1,800,000)
	<b>31 December 22</b>	<b>4,506,192</b>
Establishments during the period		783,495
Uses during the period		(2,751,736)
	<b>31 December 23</b>	<b>2,537,951</b>

The amount presented under Other provisions represents provisioned expenses for other benefits and for one pending litigation. For one of the litigations before the courts in which the company Biofarm S.A. is involved, taking into account the sentences in 2023, a provision in the amount of RON 1,465,400 was established.

## 20. Share Capital

The subscribed share capital of the company on 31 December 2023 is of lei 98,537,535, the nominal value of a share being of lei 0.1/share. The company owns a number of 985,375,350 shares that confer equal rights to company shareholders. Biofarm S.A. did not issue shares that offer preferential rights to holding shareholders.

## 21. Information on the Repurchase of Own Shares

Following the share capital increase by the incorporation of the profit related to 2006, a number of 8,126 shares remained, which could not be distributed according to the allocation rate. These shares were allocated by the Depozitarul Central to the company. On 31.12.2023, Biofarm S.A. holds 8,126 own shares.

## 22. Reserves

Reserves include the following components:

<b>Reserves</b>	<b>31 December 23</b>	<b>31 December 22</b>
Non-current assets revaluation reserves	10,622,424	3,718,507
Legal reserves	19,707,507	19,707,506
Other reserves	3,642,931	3,642,932
<b>TOTAL</b>	<b>33,972,862</b>	<b>27,068,945</b>

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

<b>Reserve</b>	<b>Description and purpose</b>
Non-current assets revaluation reserves	If the accounting value of a tangible asset is increased after revaluation, then the increase must be recognized in other comprehensive income elements and cumulated in equity, with title of revaluation surplus. revaluation 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. In 2023, no legal reserve was established because the threshold of at least one fifth of the share capital was reached. Legal reserves cannot be distributed.
Other reserves	Other reserves include on 31 December 2023 reserves afferent to reinvested profits that can be distributed when the assets for which the legal provision was applied will be written off. At the time of distribution, these reserves will be taxed.

### 23. Retained Earnings

Retained earnings include the following component elements:

Description	31 December 23	31 December 22
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, on the date of transition to the application of IFRS, of the fair value as deemed cost	14,037,338	14,037,338
Retained earnings	219,512,934	178,156,932
<b>TOTAL</b>	<b>225,061,798</b>	<b>183,705,796</b>

### 24. Current Profit Distribution for 2023

On 31 December 2023, Biofarm company has a number of 985,375,350 issued shares. The net profit distribution of Biofarm S.A. will be approved by the Ordinary General Meeting of Shareholders.

### 25. Contingent Liabilities

There are no significant contingent liabilities on the date of the balance sheet.

### 26. Commitments

The company has no debts towards credit institutions. Biofarm S.A. did not submit guarantees and did not pledge, respectively did not mortgage its own assets for guaranteeing obligations in favor of a third party. As at December 31, 2023 the company had concluded contracts for equipment purchase in amount of lei 50,169,368. Prepayments made for those contracts until December 31, 2023 were in amount of lei 33,869,556.

### 27. Information on the Audit of Financial Statements

The financial statements on 31 December 2023 and for the period of 12 months were audited by Deloitte Audit SRL. The auditor exclusively provided financial audit services.

Fee related to financial audit services for year 2023 is 29,500 EUR

### 28. Affiliated Parties

In 2023, Biofarm SA carried out transactions with Vrancart SA Adjud, which is 76,05% owned by LION CAPITAL SA. Transactions during this period amounted to lei 290,777 (packaging purchases). At 31 December 2023, Biofarm SA Transactions during this period amounted to lei 46,259 to Vrancart SA.

There are several other affiliated parties related to our two significant shareholders (SIF MUNTENIA SA and LION CAPITAL SA). During the last two financial years the company had no transactions concluded with the aforementioned entities.

## **29. Subsequent Events**

Based on the information we have so far, no significant events occurred after the closure of the financial year.

Approved by the Board of Directors on 20 March  
2024 and signed on his behalf by:

Andrei Hrebenciuc  
B.D. Chairman

Drafted by:  
Monica Claudia Dobrisan  
Chief Accountant

## STATEMENT

pursuant to the provisions of art. 30 of the Accounting Law No. 82/1991 on the financial statements prepared on 31.12.2023

The financial statements were prepared on 31.12.2023 for:

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Legal person: **BIOFARM S.A**

County: 40 - BUCHAREST MUNICIPALITY

Address: BUCHAREST Locality, str. LOGOFATUL TAUTU, nr. 99, tel. 0213010621

Number with the Trade Register: J40/199/1991

Form of property: 34- Joint-stock companies

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

Tax Identification Number: RO **341563**

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The Chairman of the Board of Directors of S.C. BIOFARM S.A., Mr ANDREI HREBENCIUC, assumes liability for the preparation of the financial statements on 31.12.2023 and confirms that:

a) The accounting policies used to prepare the financial statements are in accordance with the applicable legal regulations and the applicable International Financial Reporting Standards;

b) The financial statements provide a true picture of the financial position, financial performance and other information related to the activity carried out;

c) The legal person carries out its activity under continuity conditions.

B.D. Chairman  
Andrei Hrebenciuc

Chief Accountant  
Monica Claudia Dobrisan



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
Biofarm S.A

### *Report on the Audit of the Financial Statements*

#### **Opinion**

Deloitte Audit S.R.L.  
The Mark Tower,  
82-98 Calea Griviței,  
Sector 1, 010735  
Bucharest, Romania

T: +40 21 222 16 61 F: +40 21 222 16 60 [www.deloitte.ro](http://www.deloitte.ro)

1. We have audited the financial statements of Biofarm S.A. (“the Company”), with registered office in Bucharest, street Logofatul Tautu, no. 99, district no. 3, identified by unique tax registration code RO 341563, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as at December 31, 2023 are identified as follows:

• Net assets / Equity	RON
434,411,126	
• Net profit for the financial year	RON
77,012,898	

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as “the Regulation”) and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as “the Law 162/2017”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

5. The financial statements of Biofarm S.A. as at December 31, 2022 were audited by another auditor that issued an unmodified opinion for those financial statements on March 20, 2023.

### Key Audit Matters

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
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<p><i>Revenue recognition</i></p>	
<p>As disclosed in Notes 2.12 and 4 to the financial statements, the recognition of revenue from the sale of finished products depends on the appropriate assessment of the amount of contractual consideration and the fulfilment of commercial terms set out in contracts with customers.</p> <p>Due to the nature of the sales transactions and the contractual clauses regarding accuracy as well as the transfer of control over the goods sold, we consider revenue recognition to be a key audit matter.</p>	<p>Our audit procedures performed, were in the nature of tests of detail and included the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the Company's accounting policies with respect to revenue recognition;</li> <li>• We evaluated the design and implementation of existing key internal controls over sales transactions of finished goods and merchandise;</li> <li>• We confirmed revenue with major customers as of December 31, 2023 to assess the completeness of the Company's transactions with them.</li> <li>• For unconfirmed revenues, we selected a random sample of revenues, which we compared with the relevant supporting documents to ensure the accuracy and completeness of the recorded revenues, validating also the financial period in which they should have been recorded based on the date on which the transfer of control over the finished products or goods sold from the Company as seller to the customer as buyer took place.</li> <li>• We analyzed revenues by comparing the current period to the prior period for: sales, product volume, volume by customer, and margin.</li> <li>• We assessed whether the information presented in the financial statements for the presentation of revenue was appropriate.</li> </ul>

## Other information

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### Other responsibilities of reporting with respect to other information – Administrators' report

With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent

amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the Administrators' report, for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

### **Other reporting responsibilities with respect to other information – Remuneration report**

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

8. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
  15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

16. We were appointed by the General Meeting of Shareholders on April 26, 2023 to audit the financial statements of Biofarm S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Razvan Ungureanu.

**Report on compliance with Law no. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (“Law 162/2017”), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard (“ESEF”)**

We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of Biofarm S.A. (“the Company”) as presented in the digital files which contain the unique LEI code 254900G63HUEZ1Z9UW08 (“Digital Files”)

*(I) Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF*

Management is responsible for preparing the Digital Files that comply with ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

*(II) Auditor's Responsibilities for the Audit of the Digital Files*

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our firm applies International Standard on Quality Management 1 (“ISQM1”), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files with the audited financial statements of the Company to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

- evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our opinion relating to the financial statements of the Company for the year ended 31 December 2023 is set out in the “*Report on the audit of the financial statements*” section above.

Răzvan Ungureanu, Audit Partner

*For signature, please refer to the original signed Romanian version.*

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under number AF 4866*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under number FA 25*

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 20, 2024