BIOFARM
Str. Logofătul Tăutu nr.99, Sector 3, Bucureşti, România
TEL: +4 021 301 06 00
FAX: +4 021 301 06 05
MAIL: office@biofarm.ro
WEB: www.biofarm.ro

*<< Translation from **Romanian** >>*

BIOFARM S.A.
Explanatory notes to the Financial Statements
as at 30 June 2015

BIOFARM S.A.
CASH FLOWS STATEMENT
for the year ended on 30 June 2015
(all the amounts are expressed in LEI, unless otherwise specified)

Cash flow from operating activities	**30 June 2015**
Profit/(loss) before tax:	**18,947,101**
Adjustments for:	
Depreciations and provisions of fixed assets	3,229,646
Loss / (profit) on disposal of assets	(83,551)
Decrease / (increase) of other provisions	3,527,682
Other financial income	(480,518)
Financial costs	218
Profit before working capital changes	**25,140,578**
Decrease / (increase) of receivables	11,022,455
Increase / (increase) of inventories	(2,914,211)
Decrease / (increase) of debts	(15,214,087)
Profit tax paid	(1,714,932)
Net cash from operating activities	**16,319,585**
Purchase of tangible assets	(14,103,383)
Proceeds from sale of assets	91,199
Interest received	585,007
Net flows from investment activities	**(13,427,176)**
Flows from financing activities	
Dividends paid	(16,202)
Net flows from financing activities	**(16,202)**
	-
Net cash increase / (decrease)	**2,876,206**
Cash and cash equivalents at the beginning of the period	**41,776,151**
Cash and cash equivalents at the end of the period	**44,652,357**

BIOFARM S.A.
SITUATION OF EQUITIES MODIFICATION
for the year ended on 30 June 2015
(all the amounts are expressed in LEI, unless otherwise specified)

	Subscribed capital	Adjustments for capital	Own shares	Losses on issuing shares	Reserves	Retained earnings and current earnings	TOTAL
31 December 2013	**109,486,150**	**0**	**-813**	**-173,154**	**25,547,519**	**41,027,434**	**175,887,136**
Current overall income and retained earnings	-	-	-	-	-	26,559,851	**26,559,851**
Legal reserve allocations	-	-	-	-	1,350,967	-1,350,967	**0**
Other reserves allocations	-	-	-	-	24,521,754	-24,183,140	**338,614**
Distributed dividends	-	-	-	-	-	-	**0**
Other	-	0	-10,948,615	-23,038,020	-	-	**-33,986,635**
31 December 2014	**109,486,150**	**0**	**-10,949,428**	**-23,211,174**	**51,420,240**	**42,053,178**	**168,798,966**
Current overall income and retained earnings	-	-	-	-	-	15,034,554	**15,034,554**
Legal reserve allocations	-	-	-	-	10,428,376	-10,428,376	**0**
Allocations of other reserves	-	-	-	0	-23,038,010	-	**-23,038,010**
Distributed dividends	-	-	-	-	-	-14,780,507	**-14,780,507**
Other	-	-	-	23,038,010	-	-	**23,038,010**
30 June 2015	**109,486,150**	**0**	**-10,949,428**	**-173,164**	**38,810,606**	**31,878,849**	**169,053,013**

Danut Vasile
General Manager

Laura Boer
Chief Accountant

1. GENERAL INFORMATION

1.1 Company Presentation

S.C. BIOFARM S.A. has the registered office in Bucharest, no. 99 Logofatul Tautu Street, 3rd City District and has as the main object of activity the production and marketing of medicinal products for human use, NACE code 2120 “Manufacture of pharmaceutical preparations”.

On 30 June 2015, the company has the following working points:

- Bucharest, no. 42-44 Iancu de Hunedoara Blvd, 1st City District, tax identification number 14008268.
- Bucharest, no. 202-226 Gura Badicului Street, warehouse for finished products distribution, tax identification number 30037915.
- Cluj Napoca, no. 206, Traian Vuia Street, tax identification number 26585871, warehouse for finished products distribution.
- Craiova, no. 120, A Decebal Blvd., warehouse for finished products distribution.
- Arad, no. 1 Câmpul Liniştii Street, warehouse for finished products distribution.
- Constanţa, no. 1 Interioara Street, warehouse for finished products distribution.

The shareholding structure on 30.06.2015 was the following:

Source of information : DEPOZITARUL CENTRAL

Shareholder	Shares	Percentage
S.I.F. MUNTENIA loc. BUCHAREST, 3rd CITY DISTRICT	502,379,066	45.8852%
S.I.F. BANAT-CRISANA S.A. loc. ARAD, ARAD county	217,187,610	19.8370%
SIF MOLDOVA loc. BACAU, BACAU county	134,207,209	12.2579%
Other shareholders/others	120,144,586	10.9735%
BIOFARM	109,494,275	10.0007%
A.V.A.S. loc BUCHAREST, 1st CITY DISTRICT	11,448,753	1.0457%
Total	**1,094,861,499**	**100.0000%**

SC Biofarm SA is GMP and ISO 9001/2001 certified.

2. ACCOUNTING POLICIES

These accounting policies were drafted in compliance with the International Financial Reporting Standards, Interpretations and International Accounting Standards (collectively referred to as “IFRSs”) issued by the Council for International Accounting Standards (“IASB”) as adopted by the European Union (“Adopted IFRSs”).

Separate financial statements were drafted in compliance with the International Financial Reporting Standards adopted by the European Union (“IFRS”). The company drafted the separate financial statements to fulfil the requirements of Order no. 881/2012 on application by commercial companies whose securities are admitted to trading on a regulated market of the International Financial Reporting Standards.

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

Elaborating the financial statements according to the adopted IFRS require the use of certain critical accounting estimates. It is also necessary for the Company management to take decisions related to the application of accounting policies. The fields in which decisions and significant estimates were made for elaborating the financial statements and their effect are shown in what follows.

2.1 Bases of Assessment

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

2.2 Functional and Presentation Currency

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

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

2.3 Critical Accounting Judgments and Estimates

As a result of the uncertainties corresponding to business activities, many elements from the financial statements cannot be accurately assessed, but they can only be estimated. Estimation implies judgments based on the latest available, reliable information.

Using reasonable estimates is an essential part of the elaboration of financial statements and does not undermine their reliability.

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

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

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

(a) Assessment of Investment in Lands and Buildings Owned

The company obtains assessments conducted by external evaluators in order to determine the fair value of real estate investments and of buildings owned. These assessments are based on hypotheses that include future income from rentals, anticipated maintenance costs, future development costs and the appropriate discount rate. Evaluators also refer to the information on the market related to transaction prices with similar properties.

(b) Adjustments for Depreciated Receivables

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

(c) Legal Proceedings

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

(d) Expenditure Accounting Estimates

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

(e) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain situations, fiscal authorities may treat differently certain aspects, proceeding to the calculation of additional taxes and fees and of afferent delay penalties. In Romania, the financial year remains open for fiscal verification for 5/7 years. The Company Management considers that tax liabilities included in the financial statements are appropriate.

2.4 Presentation of Separate Financial Statements

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

2.5 Acquired Intangible Assets

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

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

Intangible assets generated internally (development costs)

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

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

2.6 Tangible assets

Tangible assets are tangible elements that:

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

Recognition:

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

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

Assessment after Recognition

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

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

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

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

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

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

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

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

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

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

Amortisation

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

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

The land owned is not amortized and is presented at its fair value, estimated based on the trading values of comparable assets (IFRS 13 – Level 2). The fair value of buildings was established by the net replacement cost method (IFRS 13 – Level 3).

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

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

Depreciation

In order to determine whether an element of tangible assets is depreciated, an entity applies IAS 36 Impairment 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 smaller than its carrying amount, the carrying amount of the asset shall be reduced in order to be equal to the recoverable amount. Such reduction represents a depreciation loss. An impairment loss is recognised immediately in the profit or loss of the period, except for the situations in which the asset is considered to the reassessed amount, in accordance with the provisions of another Standard (for example, in accordance with the reassessment model from the IAS 16 Tangible assets). Any impairment loss in the case of a reassessed asset is considered as being a decrease generated by reassessment.

2.7 Financial assets - IAS 39 Financial instruments: recognition and assessment

Initial Assessment of Financial Assets and of Financial Debts

When a financial asset or a financial debt is initially recognized, an entity evaluates it to its fair value and moreover, in case of a financial asset or a financial debt that is not at its fair value by profit or loss, the costs of the transaction that can be attributed directly to the acquisition or to the issuance of the financial asset or of the financial debt.

Subsequent Assessment of Financial Assets

From the point of view of the assessment of a financial asset after initial recognition, the Company classifies its financial assets in the following categories:

I. A financial asset or a financial debt assessed at its fair value by profit or loss is a financial asset or a financial debt which meets any of the following conditions:
(a) is classified as held for trading. A financial asset or a financial debt is classified as held for trading if:
(i) it is acquired or incurred mainly for the purpose of sale or repurchase at the closest term;

(ii) at the initial recognition it is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern for monitoring the profit on a short term; or
(iii) a derivative instrument (except of a derivative instrument that is a financial guarantee contract or a designated and effective instrument for risk coverage).

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted on an active market, other than:

a) those which the entity intends to sell immediately or within a short period of time, which must be classified as held for trading, and those which the entity, upon initial recognition, designates at their fair value by profit or loss;
b) those which the entity, at the initial recognition, designates as available for sale; or
c) those for which the holder might not substantially recover the entire initial investment, for any reason other than because of credit deterioration, which must be classified as available for sale.

In this category, trade receivables and receivables of other nature are included. Their value approximates the fair value (IFRS 13 – Level 3).

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

Gains and Losses

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

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

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

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

Cash and cash equivalents

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

2.8 Property using the leasing system – complies with the provisions of IAS 17 Leasing contracts

When all risks and benefits incidental to the property on a property for lease were transferred to the Company ("financial leasing"), the asset is treated as if it were directly purchased. The initially recognised amount as an asset is the smallest value between the fair value of the leased property and the current value of minimum leasing throughout the leasing period.

The corresponding leasing commitment is presented as a liability. Leasing payments are analysed between capital and interest. The interest element is registered in the statement of comprehensive income throughout the leasing period and is calculated so that to represent a constant proportion of the leasing debt.

When all risks and benefits incidental to the property were not transferred to the Company ("operational leasing"), the total of payable rents according to the leasing contract are registered in the statement of comprehensive income in the linear throughout the leasing period.

On 30.06.2015, SC Biofarm SA has no ongoing financial leasing contracts anymore.

2.9 Real estate investment – IAS 40

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

a) there is the possibility for future economic benefits associated to the real estate investment to flow to the entity;
b) the cost of real estate investment can be reliably 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. Expenditures that are directly attributable include, 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 based on the trading values of comparable assets (IFRS 13 – Level 2).

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

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

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

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

Fixed assets from the real estate investments category, owned by the company, are presented in note 12 to the financial statements.

2.10. Inventories

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

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

Assessment of inventories:

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

Cost of inventories

The cost of inventories contains all acquisition costs, conversion costs, as well as other costs borne in order to bring the inventories in the state and place where they are currently found.
Raw materials and materials inventories are emphasized at the acquisition value. The inventory outflow is done by using the FIFO method.

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

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

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 with regard to the utility value of the inventory, taking into account the expiry date, the possibility of use in the company’s current activity and of other factors specific for each inventory category. Each depreciated asset is individually analysed. The precision of adjustments depends on future cash flows estimations.

2.11 Receivables

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

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

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

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

2.12 Financial debts

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

2.13 Recognition of Income and Expenses

2.14.1. Recognition of Income

Incomes represent, according to IAS 18 “Income”, gross inflow of economic benefits throughout the period, generated within the development of normal activities of an entity, when these entries have as a result increases in equity, others then the increases related to the contributions of participants to the equity.

Incomes constitute increases of economic benefits recorded throughout the accounting period, as inputs or increases in assets or reductions of debts that are concretised in increases of equities, others than those resulted from contributions of shareholders.

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

Assessment of Income

Income is assessed at the fair value of the counterparty received or to be received, after the reduction of rebates or discounts.

Incomes from the sale of goods are recognised when all the following conditions have been fulfilled:

(a) the entity transferred the buyer the significant risks and benefits afferent to the ownership of goods;
(b) the entity does not manage the goods sold at the level it would have normally done in the case of their ownership and neither does it have actual control over them;
(c) the value of income can be reliably assessed;
(d) it is possible that the economic benefits associated to the transaction to be generated for the entity; and
(e) the costs borne or that are going to be borne in relation to the respective transaction can be reliably assessed.

The income from the sale of goods is recognized when the Company has transferred the significant risks and benefits afferent to the property right of the buyer and it is possible for the Company to receive those previously agreed following the payment. The transfer of risks and benefits afferent to the ownership is considered feasible together with the transfer of the legal title or with the passing of goods in the possession of the buyer. If the entity maintains significant risks afferent to the property, the transaction does not represent a sale and the incomes are not recognised.
Special cases: If it is found that incomes associated to a period of the current year are encumbered by fundamental errors, their correction will be implemented, in the period in which the error is discovered. If the error is discovered in the coming years, its correction shall not affect the income accounts, but the resulted account reported from corrections of fundamental errors, if the error value shall be considered significant.

2.14.2. Recognition of Expenses

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

2.14 Impairment of non-financial assets (excluding inventories, real estate investments and the assets on deferred tax) – IAS 36 "Impairment of assets"

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

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

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

2.15 Provisions – IAS37 “Provisions, contingent liabilities and contingent assets”

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

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

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

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

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

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

Provisions are grouped in accounting on categories and are constituted for:
a) litigation;
b) guarantees granted to customers;
c) decommissioning of tangible assets and other similar actions related to them;
d) reorganisation;
e) employees’ benefits;
f) other provisions.

Provisions previously constituted are periodically analysed and regulated.

2.16 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 ceases to hire 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 has 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 a part from the cost of benefits in favour of the employee, during the work period of the employee in the enterprise.

The Company uses a statistical-actuarial calculation that is realized with sufficient regularity and has as its purpose the recognition of expenses with benefits during the period in which the incomes were performed for the work of the employee.

2.17 Deferred tax-IAS 12

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

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

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

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

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

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

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

2.18 Dividends

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

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

2.19 Capitals and Reserves

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

The entity was established according to Law no. 31/1990 on commercial companies.

2.20Financing Costs

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

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

2.21 Earnings per share

The Company presents the basic earnings per share and diluted for common shares. The result per basic share are 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.

2.22 Reporting on Segments

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

3. INCOME FROM SALES

Revenues from sales include the following elements:

Income from sales	**30 June 2015**	**30 June 2014**
Sales of finished goods	81,257,337	71,241,893
Sales of goods	1,075,958	423,075
Revenues from waste sale	7,201	2,819

Trade discounts	(12,107,100)	(10,567,740)
TOTAL	**70,233,396**	**61,100,048**

3. RAW MATERIALS AND CONSUMABLES

Expenses with raw materials and consumables have the following composition:

Raw materials and consumables	**30 June 2015**	**30 June 2014**
Raw materials	12,158,748	9,814,741
Auxiliary materials	5,913,037	4,797,089
Goods	837,778	664,634
Inventory items	68,961	146,185
Other consumables	50,790	68,572
Product marketing campaigns	1,611,741	1,452,530
TOTAL	**20,641,055**	**16,943,750**

5. PERSONNEL EXPENDITURES

Expenditures with the personnel have the following component:

Personnel expenditures	**30 June 2015**	**30 June 2014**
Salaries	8,249,705	6,558,778
Civil contracts	907,444	819,407
Taxes and social contributions	2,136,468	2,054,549
Other benefits	(820,557)	(736,940)
TOTAL	**10,473,060**	**8,695,794**

6. OTHER OPERATING EXPENSES

Other operating expenses	**30 June 2015**	**30 June 2014**
Utilities	1,336,354	1,307,437
Repairs	336,661	284,057
Rent	12,465	63,118
Insurance	448,129	365,661
Bank commissions	35,476	38,189
Advertising and promotion of products	9,542,896	9,951,221
Travel and transportation	278,795	431,126
Post and telecommunications	212,133	140,360
Other services provided by third parties	2,977,854	2,470,291
Other taxes and fees	1,193,483	1,896,251
Entertaining	390,780	348,894
Expenses from the disposal of assets	7,648	301
Losses and adjustments of doubtful debts	4,076,350	-
Inventories adjustments	271,889	(409,796)
Donations and grants	179,953	182,837

Exchange rate differences	(238,943)	42,104
Other operating expenses	100,611	1,428,727
TOTAL	**21,162,533**	**18,540,777**

7. NET FINANCIAL INCOMES

Net financial incomes have the following structure:

Net financial incomes/(costs)	**30 June 2015**	**30 June 2014**
Investment adjustment	-	11,886,423
Income from interests	480,499	750,111
Interest costs	(218)	(284)
Other financial incomes	19	10,440
Profit/loss from the sale of shares	-	(12,569,645)
TOTAL	**480,300**	**77,045**

8. PROFIT TAX EXPENSES

Tax expenses	**30 June 2015**	**30 June 2014**
Current profit tax expense	4,704,152	996,483
Expense / (income) deferred tax	(791,604)	(262,247)
TOTAL	**3,912,548**	**734,236**

9. FIXED ASSETS

FIXED ASSETS STATEMENT	**FINAL BALANCE 31.12.2014**	**INCREASES**	**REDUCTIONS**	**FINAL BALANCE 30.06.2015**
I. Intangible assets				
Development expenses				
Other assets	1,790,444	65,902	13,186	1,843,161
Intangible assets in progress				
TOTAL INTANGIBLE ASSETS	**1,790,444**	**65,902**	**13,187**	**1,843,161**
II. Tangible assets				
Lands	3,282,512			3,282,512
Buildings	18,072,987			18,072,987
Technical installations and machines	63,876,614	2,322,283	452,202	65,746,695
Other installations, equipment and furniture	1,385,524	23,677	4,283	1,404,918
Tangible assets in progress	18,613,565	10,097,871		28,711,436
Real estate assets in	0			0

progress				
TOTAL TANGIBLE ASSETS	**105,231,202**	**12,443,831**	**456,485**	**117,218,548**
REAL ESTATE ASSETS	**11,045,805**	**0**		**11,045,805**
III. Biological assets 13 X	0			0
IV. Financial assets	32,672	5		32,677
`FIXED ASSETS – TOTAL	**118,100,123**	**12,509,738**	**469,672**	**130,140,191**

FIXED ASSETS AMORTIZATION STATEMENT	**AMORTIZATION AT THE END OF 2014**	**AMORTIZATION DURING THE YEAR**	**AMORTIZATION OF FIXED ASSETS OUTPUTS**	**AMORTIZATION ON 30.06.2015**
I. Intangible assets				
Development expenses				
Other assets	1,434,922	57,758	13,186	1,479,494
Intangible assets in progress	0			0
TOTAL INTANGIBLE ASSETS	**1,434,922**	**57,758**	**13,186**	**1,479,494**
II. Tangible assets	0			0
Lands	0			0
Buildings	2,531,098	667,884		3,198,982
Technical installations and machines	39,634,730	1,981,918	4,181	41,612,467
Other installations, equipment and furniture	788,181	77,430		865,611
Real estate investment	0			0
Tangible assets in progress	0			0
Real estate investment in progress	0			0
TOTAL TANGIBLE ASSETS	**42,954,009**	**2,727,232**	**4,181**	**45,677,060**
III. Biological assets 13 X	0			0
IV. Financial assets	0			0
FIXED ASSETS - TOTAL	**44,388,931**	**2,784,990**	**17,367**	**47,156,554**

STATEMENT OF ADJUSTMENTS FOR DEPRECIATION	**FINAL BALANCE 31.12.2014**	**ADJUSTMENTS DURING THE YEAR**	**ADJUSTMENTS RESUMED AT INCOME**	**FINAL BALANCE 30.06.2015**
I. Intangible assets	0			0
Development expenses	0			0
Other assets	0			0
Intangible assets in progress	152,100			152,100
TOTAL	**152,100**	**0**		**152,100**

INTANGIBLE ASSETS				
II. Tangible assets	0			0
Lands	0			0
Buildings	0			0
Technical installations and machines	1,230		0	1,230
Other installations, equipment and furniture	0			0
Real estate investment	0			0
Tangible assets in progress	0			0
Real estate investment in progress	0			0
TOTAL TANGIBLE ASSETS	**1,230**	**0**	**0**	**1,230**
III. Biological assets 13 X	0			0
IV. Financial assets	0		0	0
FIXED ASSETS - TOTAL	**153,330**	**0**	**0**	**153,330**

10. REAL ESTATE INVESTMENTS

The land held by SC BIOFARM SA in Iancu de Hunedoara Street, Bucharest is considered Real Estate Investment, not being used by the company for the performance of its operating activity and not having an established destination. The value of accounting registration of this land on 30.06.2015 is of 11,045,805 lei.

11. STOCKS

STOCKS	**30 June 2015**	**30 June 2014**
Raw materials and consumables	10,496,972	10,804,125
Adjustments	(1,100,830)	(978,210)
Production in progress	1,789,547	1,204,519
Adjustments	-	-
Semi-finished and Finished products	8,457,984	6,063,609
Adjustments	(350,810)	(201,541)
Goods	1,532,634	1,290,672
TOTAL	**20,825,497**	**18,183,175**

12. TRADE RECEIVABLES AND RECEIVABLES OF OTHER NATURE

Trade receivables and other similar receivables	**30 June 2015**	**30 June 2014**
Trade receivables	55,937,757	65,372,737
Adjustments for trade receivables	(5,370,219)	(1,293,869)
Intragroup receivables	5,450	-

Employees	105,843	111,811
Profit tax	-	2,276,910
Other receivables for State Budget	4,167,045	6,049,013
Various debtors and other receivables	326,197	322,689
Adjustments for other receivables	(62,896)	(62,896)
Interest receivable	259,440	363,930
Advances	1,343,874	690,137
Expenses in advance	833,808	1,196,042
TOTAL	**57,546,300**	**75,026,505**

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

The Company has not pledged or anticipated commercial receivables.

On 30 June 2015 the Company has adjustments recorded for trade receivables representing customers' balance that is unlikely to be received by the company anymore, amounting lei 5,370,219.

SC Biofarm SA filed a statement of claim in the insolvency file no. 17619/3/2015, pending before the Bucharest Court – 7th Civil Section, debtor A&G Med Trading S.R.L.

The balance of this customer at SC Biofarm SA is of lei 11,428,962.90. Upon registration at the statement of affairs, Biofarm requested compensation of natural rebate in products due to A&G Med Trading S.R.L. from the client balance. The client balance resulted after this compensation became lei 10,190,875.

In the financial statements on 30.06.2015, Biofarm recorded a provision in the amount of lei 4,076,350, the negotiations taking place between the parties to identify the possibilities to collaborate and recover the existent debts.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**30 June 2015**	**30 June 2014**
Available in the bank	836,185	488,347
Cash and cash equivalents	24,250	23,532
Deposits	43,757,954	41,258,624
Various	33,968	48,215
TOTAL	**44,652,357**	**41,776,151**

Deposits have maturities of up to 6 months from the balance sheet date.

14. TRADE RECEIVABLES AND OF OTHER NATURE

Trade and other payables	**30 June 2015**	**30 June 2014**
Trade payables	14,932,489	29,997,667
Suppliers of assets	371,070	1,964,717
Intragroup debts	-	-
Profit tax	-	-
Debts related to employees	663,070	602,321
Taxes and social contributions	1,148,252	1,311,674
Other tax debts	-	343,599
Other debts	972,140	650,606
Dividends	16,119,081	1,354,776
Advances	7,328	31,499
Income in advance	7,248	7,248
TOTAL	**34,220,679**	**36,264,107**

15. SHARE CAPITAL

The subscribed share capital of the company as at 30 June 2015 is of lei 109,486,150, the nominal value of a share being of 0.1 lei/share. The company has a number of 1,094,861,500 shares offering equal rights to the shareholders of the company. SC Biofarm SA did not issue shares offering preferential rights to shareholders.

INFORMATION REGARDING THE REPURCHASE OF OWN SHARES

Following the share capital increase by the profit incorporation afferent 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 Cental to the company. Therefore, on 31.12.2013, SC Biofarm SA held 8,126 own shares.

During the EGMS of April 2014, the repurchase by Biofarm S.A. of a number of maximum 109,486,149 own shares was approved, the nominal value of which represents maximum 10 % from the share capital. The shares thus acquired will be cancelled, the share capital decreasing accordingly.

16. RESERVES

Reserves include the following components.

Reserves	**30 June 2015**	**30 June 2014**
Fixed assets reassessment reserves	493,677	493,677
Legal reserves	10,409,454	10,409,454
Other reserves	27,907,475	40,517,109

TOTAL	**38,810,606**	**51,420,240**

16. RETAINED EARNINGS

Retained earnings include the following components:

Description	**30 June 2015**	**30 June 2014**
Retained earnings representing undistributed profit or the uncovered loss	0	0
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	443.005	443.005
Retained earnings coming from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost	14.037.338	14.037.338
Retained earnings coming from the adoption for the first time of IAS 29	0	0
TOTAL	**16.844.295**	**16.844.294**

15. Information on the audit of financial statements

Financial statements as at 30 June 2015 of SC Biofarm SA are not audited.