BIOFARM S.A.

Explanatory Notes to the Financial Statements on 30 June 2019

Profit / (Loss) before tax	**35.217.587**
Adjustments for:	
Adjustments of receivables	(1.509.735)
Adjustments of inventories	(290.382)
Amortisations and provisions	3.308.439
Loss / (profit) from the disposal of assets	(7.202)
Decrease / (increase) of other provisions	(1.435.413)
Other financial income	(658.643)
Financial costs	5
Profit before changing the working capital	**34.624.656**
Decrease / (increase) of receivables	12.313.986
Decrease / (increase) of inventories	2.998.297
Increase / (decrease) of debts	(512.238)
Cash from operating activities	**49.424.701**
Financial costs paid	-
Profit tax paid	(6.367.783)
Net cash from operating activities	**43.056.918**
Flows from investment activities	
Acquisitions of tangible assets	(10.036.729)
Collections from the sale of fixed assets	7.202
Collected debt	614.488
Net flows from investment activities	**(9.415.039)**
Flows from financing activities	
Paid dividends	(51.185)
Net flows from financing activities	**(51.185)**
	-
Net cash increase / (decrease)	**33.590.694**
Cash and cash equivalents at the beginning of the period	**45.632.578**
Cash and cash equivalents at the end of the period	**79.223.272**

Andrei Hrebenciuc
B.D. Chairman

Claudia Matei
Chief Accountant

STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Own shares	Losses on issuing shares	Reserves	Retained earnings and current earnings	TOTAL
31-Dec-17	**98.537.535**	**(813)**	**(173.154)**	**67.916.370**	**50.142.903**	**216.422.841**
Impact of IFRS 15 application for the first time					**(11.327.184)**	**(11.327.184)**
31-Dec-17	**98.537.535**	**(813)**	**(173.154)**	**67.916.370**	**38.815.719**	**205.095.657**
Current and carried forward comprehensive income	-	-	-	-	38.424.940	**38.424.940**
Legal reserve allocations	-	-	-	2.358.687	(2.358.687)	**-**
Allocations of fiscal facility reserve				886.988	(886.988)	**-**
Allocations of other reserves	-	-	-	14.576.475	(14.544.723)	**31.752**
Allocations of other reassessment reserves				588.298	-	**588.298**
Prescribed dividends	-	-	-	-	-	**-**
Distributed dividends	-	-	-	-	(18.722.132)	**(18.722.132)**
31-Dec-18	**98.537.535**	**(813)**	**(173.154)**	**86.326.818**	**40.728.129**	**225.418.515**
Current and carried forward comprehensive income	-	-	-	-	28.232.630	**28.232.630**
Legal reserve allocations	-	-	-	-	-	**-**
Allocations of fiscal facility reserve				-	-	**-**
Allocations of other reserves	-	-	-	25.325.511	(25.325.511)	**-**
Allocations of other reassessment reserves				-	-	**-**
Prescribed dividends	-	-	-	637.505	-	**637.505**
Distributed dividends	-	-	-	-	(9.853.754)	**(9.853.754)**
30-Jun-19	**98.537.535**	**(813)**	**(173.154)**	**112.289.834**	**33.781.494**	**244.434.896**

Andrei Hrebenciuc
B.D. Chairman

Claudia Matei
Chief Accountant

1. GENERAL INFORMATION

1.1 Presentation of the Company

S.C. BIOFARM S.A. has the registered office and working point in Bucharest, str. Logofatul Tautu, nr. 99, 3rd City District and has as the main object of activity the production and marketing of medicinal products for human use, CAEN code 2120 “Manufacture of pharmaceutical preparations”.

On 30.06.2019, the company has the following working points additional to the one from the address of the registered office in str. Logofatul Tautu nr. 99:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, tax identification number 14008268
- Bucharest, str. Gura Badicului, nr. 202-232, warehouse for the distribution of finished products, tax identification number 30037915

In the first semester of 2019, the Board of Directors decided to close the working points in Cluj-Napoca, Craiova, Arad, Constanta and Iasi.

The shareholding structure on 30.06.2019 is the following:

Shareholder	Shares	Percentage
S.I.F. MUNTENIA, BUCHAREST Locality, SECTOR 4	502.379.066	50.9835 %
S.I.F. BANAT-CRISANA S.A. ARAD Locality, ARAD County	362.096.587	36.7471 %
Other shareholders / others	120.899.697	12.2694 %
TOTAL	**985.375.350**	**100 %**

Source of information: CENTRAL DEPOSITARY

The quality management system of the company is certified in compliance with the requirements of the ISO 9001 standard and of the Guide on good manufacturing practice (GMP) for all production lines.

At the same time, Biofarm has certified the environmental and occupational health and safety management system according to ISO 14001 and OHSAS 18001.

The company intends to integrate the 3 management systems and recertification according to the reupdated standards, as well as the extension of the certification of the quality management system, in compliance with the requirements of the ISO 13485 standard for medical devices.

2. ACCOUNTING POLICIES

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

The separate financial statements were elaborated in conformity with International Financial Reporting Standards adopted by the European Union („IFRS”). The company elaborated these separate financial statements in order to fulfil the requirements of Order no. 881/2012 regarding the application by the commercial companies whose securities are allowed for 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 through the profit and loss account and the financial assets available for sale, except for those for which the fair value cannot be realistically established.

2.2 Functional and Presentation Currency

Company 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 Depreciation of Receivables

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

(c) Legal proceedings

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

(d) 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 fiscal year remains open for tax 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 Purchased 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 amortised and is presented at the fair value estimated depending 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, 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	**Lifespan**
Buildings and constructions	24-40 years
Equipment and facilities	7-24 years
Means of transportation	4-6 years
Calculation technique	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 in the case in which the recoverable amount of an asset is smaller than its carrying amount, the carrying amount of the asset shall be reduced in order to be equal to the recoverable amount. Such reduction represents a depreciation loss. An impairment loss is recognised immediately in the profit or loss of the period, except for the situations in which the asset is considered to the reassessed amount, in accordance with the provisions of another Standard (for example, in accordance with the reassessment model from the IAS 16 Tangible assets). Any impairment loss in the case of a reassessed asset is considered as being a decrease generated by reassessment.

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

Initial Assessment of Financial Assets and of Financial Debts

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

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

Subsequent Assessment of Financial Assets

IFRS 9 has only one model with fewer exceptions than IAS 39 which had a complex pattern. The new standard is based on the concept that financial assets are classified and measured at their fair value, with modifications of the fair value recognised in the profit and loss account at the time of their occurrence ("FVPL"), except unless restrictive criteria are met when the asset's classification and measurement is made at amortized cost or fair value through other income ("FVOCI").

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

Additionally, IFRS 9 establishes a new approach for loans and receivables, including trade receivables with an "anticipated loss" pattern that focuses mainly on risk.

The financial assets available for sale are those non-derivative financial assets that are designated as available for sale or not classified as loans and receivables, investment held to maturity or financial assets at fair value through profit or loss.

Gains and losses

A gain or a loss from a financial asset available for sale is recognised in Other elements of the comprehensive income, except for losses from depreciation. The dividends for an instrument of equities available for sale are recognised in the 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 recognised in other elements of the comprehensive income and there is objective evidence that the asset is depreciated, the cumulative loss that has been recognized in other comprehensive income must be reclassified from equities in profit or loss as an adjustment from reclassification, even if the financial asset was not derecognised.

The value of the cumulative loss which is removed from equities and recognised in the profit or loss must be the difference between the cost of purchase (net from any payment of the principal and from amortisation) and the current fair value, minus any loss from the depreciation for that financial asset previously recognised in the 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 related to an event that occurs after the depreciation loss was recognised in the profit or loss, the loss from the depreciation is resumed, and the amount of resumption is recognised in the profit or loss.

Cash and Cash Equivalents

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

Cash and cash equivalents include cash in hand, demand deposits with banks, other very liquid short-term investments with original three-month due dates or less than three months, and – for the purpose of cash flows statement - overdrafts.

2.8 Goods in leasing system – comply with the provisions of IAS 17 Leasing Contracts

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

The appropriate leasing commitment is presented as a debt. The leasing payments are analysed between the capital and the interest. The element for interest is recorded in the comprehensive income statement during the leasing period and is calculated so that it represents a constant proportion of the leasing debt.

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

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. Directly attributable expenditure includes for example, professional fees for legal services, property transfer taxes and other trading costs.

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

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

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

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

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

The fixed assets from the real estate investment category, owned by the company are presented in Note 12 to the financial statements.

2.10 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;
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 acquisition or their issuance, and are subsequently carried at amortized cost using the method of effective interest rate, minus adjustments for depreciation.

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

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

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

2.12 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

2.13.1. Recognition of income

Income represents 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, other than increases related to the contributions of participants to equity.

Income constitutes 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, other 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.

Starting with 1 January 2018, the IFRS 15 standard entered into force on contracts concluded with clients. In some cases, IFRS 15 could require modifications of current systems and could affect some aspects of operations.

IFRS 15 is a complex standard which introduces more prescriptive requirements than previously included in IAS 18 Income, IAS 11 Construction contracts and, therefore, may result in changes to income recognition policies.

Assessment of Income
According to IAS 18, income was assessed at the fair value of the counterparty received or to be received, after the reduction of rebates or discounts. Income from the sale of goods are recognised in the moment in which all the following conditions have been fulfilled:

a. the entity that transferred to 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 they 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;
e. the costs borne or that are going to be borne in relation to the respective transaction can be reliably assessed.

The new standard focuses instead on identifying obligations and makes a clear distinction between the obligations that are met "at some point in time" and those that are met "over a period of time", this being determined by the manner in which the control of goods or of services is transferred to the client. The new income model according to IFRS 15 means that we can have income means that we can have recognized income over a period for some results that have been accounted for as goods in compliance with IAS 18.
IFRS 15 establishes a general framework which will be applied for the recognition of income coming from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; the standard establishes five steps to follow for income recognition:

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

The classification of incomes is done in three main groups:

- **Operating income**, which comprises: revenues from the production sold, from the sale of goods, from operating subsidies related to the net turnover, from inventories variation, from the capitalised production, other operating income, income from value adjustments on fixed assets, from value adjustments on current assets, from adjustments on provisions for risks and expenses.
- **Financial income**, which comprises: income from participation interests, from other financial investments and receivables that are part of fixed assets, from interests, other financial income, from the adjustment of the value of financial assets and of financial investments held as current assets;
- **Extraordinary income**.

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.

The extensive presentation of information will be provided, including disaggregation of total income, information on execution obligations, modifications in contractual balances of of asset and liability accounts between periods, judgments and key-estimates;

2.13.2. 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 Depreciation of non-financial assets (excluding inventories, real estate investments and the assets on deferred tax) – IAS 36 "Depreciation 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 –IAS 37 "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 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;

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 Capital and Reserves

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

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

2.20 *Financing Costs*

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

The Company failed to 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.

2.23 Affiliated Parties

A person or a close member of that person's family is considered an affiliate of a Company if that person:

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

The key personnel from the management represents those persons that have the authority and the responsibility to plan, manage and control the activities of the Company directly or indirectly, including any manager (executive or not) of the entity. The transactions with the key personnel include exclusively the salary benefits granted to them as they are presented in Note 6. Personnel Expenses.

An entity is an affiliate of 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 a subsidiary of the same group is related to the other ones).
(ii) An entity is an associated entity or a joint venture of the other entity (or an associated entity of a joint venture of a member of the group of which the other entity belongs).
(iii) Both entities are joint ventures of the same third party.
(iv) An entity is a joint venture of an entity third party, and the other one is an associated entity of an entity third party.
(v) The entity is a post-employment benefits plan in the benefit of the employees of the reporting entity or of the entity affiliated to the reporting entity. If the reporting entity itself represents such a plan, sponsoring employers are, also, affiliates of the reporting entity.
(vi) The entity is controlled or controlled in common by an affiliated person
(vii) An affiliated person who holds 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).

3 INCOME FROM SALES

Income from sales includes the following elements:

Income from sales	**30-Jun-19**	**30-Jun-18**
Sales of finished products	115.966.103	98.864.251
Sales of goods	902.713	1.665.547
Income for IFRS 15 adjustment	(3.586.944)	
Income from the sale of waste	7.472	11.800
Commercial discounts	(19.585.033)	(17.202.969)
TOTAL	**93.704.311**	**83.338.629**

The company applied IFRS 15 for the first time at the drafting of annual financial statements for 2018 using the method of cumulative effect. The impact from the application of this standard represented a decrease of period revenues with the amount of lei 3.586.944. Additionally, the company recorded deferred income in the amount of lei 21.648.313, an amount representing the natural rebate debt which the company will subsequently grant.

4 EXPENSES WITH RAW MATERIALS AND CONSUMABLES

Expenses with raw materials and consumables have the following structure:

Raw materials and consumables	**30-Jun-19**	**30-Jun-18**
Raw materials	11.734.046	13.396.205
Auxiliary materials	5.805.108	6.500.962
Goods	599.372	1.276.970
Inventory items	57.567	65.090
Other consumables	96.949	57.392
TOTAL	**18.293.042**	**21.296.619**

5 PERSONNEL EXPENSES

Personnel expenses have the following structure:

Personnel expenses	**30-Jun-19**	**30-Jun-18**
Wages	12.362.410	10.858.455
Civil contracts	3.145.306	2.336.091
Fees and social contributions	642.316	536.978
Other benefits	(1.059.146)	(399.975)
TOTAL	**15.090.886**	**13.331.549**

6 OTHER OPERATING EXPENSES

Other operating expenses	**30-Jun-19**	**30-Jun-18**
Utilities	2.290.762	1.754.790
Repairs	555.312	405.259
Rent	78.758	108.421
Insurance	771.606	752.793
Bank fees	31.289	36.650
Advertising and promotion of products	14.746.698	14.942.869
Travel and transport	463.192	314.472
Post and telecommunications	278.682	245.377
Other services provided by third parties	3.112.070	3.088.198
Other taxes and duties	1.908.440	1.261.150
Protocol	468.136	394.729
Expenses from disposal of assets	-	60.278
Losses and adjustments for doubtful receivables	(1.509.735)	(123.020)
Inventory write offs	(290.382)	(852.762)
Donations and grants	227.037	97.650
Exchange rate differences	-	-
Other operating expenses	184.783	152.220
TOTAL	**23.316.648**	**22.639.074**

7 NET FINANCIAL INCOME

The net financial income has the following structure:

Net financial income/ (costs)	**30-Jun-19**	**30-Jun-18**
Interest income	658.643	230.622
Interest costs	(6)	(3)
TOTAL	**658.637**	**230.619**

8 PROFIT TAX EXPENSES

Tax expenses	30-Jun-19	30-Jun-18
Current profit tax expense	6.801.191	5.401.068
Deferred tax expense / (income)	183.767	(1.218.757)
TOTAL	**6.984.958**	**4.182.311**

9 FIXED ASSETS

STATEMENT OF FIXED ASSETS	*Value 31 Dec 2018*	*Inputs*	Outputs	*Value 30 June 2019*
I. Intangible assets				
Development expenses	-	-	-	-
Other assets	3.186.564	62.233	28.356	3.220.441
Advances granted for intangible assets	274.821	-	-	274.821
TOTAL Intangible assets	**3.461.385**	**62.233**	**28.356**	**3.495.262**
II. Tangible assets				
Lands	5.534.298	-	-	5.534.298
Buildings	11.694.584	136.347	-	11.830.931
Technical installations and machines	70.816.371	896.194	617.361	71.095.204
Other installations, machinery and furniture	1.868.060	10.699	42.379.44	1.836.380
Real estate investments	11.337.809	-	-	11.337.809
Tangible assets under execution	85.427.175	10.520.751	1.043.241	94.904.685
Real estate investments under execution	-	-	-	-
Advances granted for tangible assets	1.155.458	-	512.536	642.922
TOTAL Intangible assets	**187.833.755**	**11.563.991**	**2.215.517**	**197.182.229**
REAL ESTATE ASSETS	**7.095**	-	-	**7.095**
IV. Financial assets	7.095	-	-	7.095
FIXED ASSETS - TOTAL	**191.302.235**	**11.626.224**	**2.243.873**	**200.684.585**

STATEMENT OF AMORTISATION OF FIXED ASSETS	**Amortisation value 31 Dec 2018**	**Sem. Amortisation I 2019**	**Outputs amortisation**	**Amortisation value 30 June 2019**
I. Intangible assets				
Development expenses	-	-	-	**-**
Other fixed assets	1.951.841	201.206	10.188	**2.142.859**
TOTAL Intangible assets	**1.675.173**	**201.206**	**10.188**	**2.142.859**
II. Tangible assets				
Lands	-	-	-	**-**
Buildings	-	562.837	-	**562.837**
Technical installations and machines	54.614.059	2.463.029	617.459	**56.459.629**
Other installations, machinery and furniture	1.389.953	120.892	42.379.44	**1.468.466**
Real estate investments	-	-	-	**-**
Tangible assets under execution	-	-	-	**-**
Real estate investments under execution	-	-	-	**-**
TOTAL Tangible assets	**56.004.012**	**3.146.757**	**659.839**	**58.490.931**
IV. Financial assets	**-**	**-**	**-**	**-**
FIXED ASSETS – TOTAL AMORTISATION	**57.679.185**	**3.347.963**	**670.026**	**60.633.789**

STATEMENT OF ADJUSTMENTS FOR DEPRECIATION	**Value 31 Dec 2018**	**Adjustments Sem I 2019**	**Income resumed adjustments**	**Value 30 June 2019**
I. Intangible assets				
Development expenses	-	-	-	**-**
Other fixed assets	152.100	-	-	**152.100**
Intangible assets under execution	-	-	-	**-**
TOTAL Intangible assets	**152.100**	**-**	**-**	**152.100**
II. Tangible assets	-	-	-	**-**
Lands	-	-	-	**-**
Constructions	2.647.669	-	-	**2.647.669**
Technical installations and machines	2.808.551	-	-	**2.808.551**
Other installations, machinery and furniture	97.361	-	-	**97.361**
Real estate investments	-	-	-	**-**
Tangible assets under execution	794.655	-	-	**794.655**
Real estate investments under execution	-	-	-	**-**
TOTAL Tangible assets	**6.348.236**	**-**	**-**	**6.348.236**
IV. Financial assets	**-**	**-**	**-**	**-**
FIXED ASSETS – TOTAL ADJUSTMENTS	**6.500.336**	**-**	**-**	**6.500.336**

10 REAL ESTATE INVESTMENTS

The land owned by S.C. Biofarm S.A. on Iancu de Hunedoara Street, Bucharest is considered as Investment Property, not being used by the company for performing the activity of operation and not having a set destination. The registration value in its accounting on 30.06.2019 is of lei 11.337.809.

11 INVENTORIES

Inventories	**30-Jun-19**	**31-Dec-18**
Raw materials and consumables	11.087.099	14.346.563
Adjustments	(1.505.140)	(1.764.941)
Production under progress and semi-finished products	1.514.248	2.132.034
Finished products	5.008.503	3.817.252
Adjustments	811.092	1.123.389
Goods	(789.694)	(820.273)
TOTAL	**16.126.108**	**18.834.024**

12 TRADE AND OTHER RECEIVABLES

Trade receivables and similar	**30-Jun-19**	**31-Dec-18**
Trade receivables	93.773.478	106.120.321
Adjustments for trade receivables	(20.859.531)	(22.369.266)
Employees	169.959	36.267
Other receivables in relation to the State Budget	4.706.955	4.867.364
Sundry debtors and other receivables	361.240	424.183
Adjustments for other receivables	(237.827)	(237.827)
Interest to be collected	217.971	173.815
Advances	152.849	323.775
Expenses in advance	760.623	486.951
TOTAL	**79.045.717**	**89.825.584**

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 2019, the company received from clients. promissory notes in the amount of lei 36.673.192 (31 Dec 2018: 17.282.227).

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**30-Jun-19**	**31-Dec-18**
Cash in bank	7.848.097	5.135.877
Cash and cash equivalents	4.980	5.803
Deposits	71.370.195	40.490.898
TOTAL	**79.223.272**	**45.632.578**

Deposits have maturities of up to 3 months from the balance sheet date.

14 TRADE AND OTHER PAYABLES

Trade and other payables	**30-Jun-19**	**31-Dec-18**
Trade payables	22.284.307	27.966.012
Suppliers of fixed assets	974.224	268.729
Liabilities related to employees	530.117	455.386
Taxes and social contributions	1.223.182	1.314.543
Other tax liabilities	1.261.779	344.678
Other liabilities	1.493.140	1.593.496
Dividends	12.383.642	3.225.603
Advances	48.006	7.709
Deferred income	-	-
TOTAL	**40.198.397**	**35.176.157**
Deferred income IFRS 15	21.648.313	18.061.370
	61.846.710	**53.237.527**

15 CAPITAL SOCIAL

The subscribed share capital of the company on 30 June 2019 is of lei 98.537.535, the nominal value of a share being of lei 0,1 /share. The company has a number of 985.375.350 shares that offer equal rights to company’s shareholders. SC Biofarm SA did not issue shares to offer shareholders preferential rights.

INFORMATION ON THE REPURCHASE OF OWN SHARES

Following the increase of share capital by incorporating the profit corresponding to 2006, a number of 8.126 shares remained, which could not be redistributed according to the allocation rate. These shares were allocated to the company by the Central Depository. On 30.06.2019, SC Biofarm SA holds 8.126 own shares.

RESERVES

Reserves include the following components:

Reserves	**30-Jun-19**	**31-Dec-18**
Fixed assets revaluation reserves	1.967.642	1.967.642
Legal reserves	18.261.547	18.261.547
Other reserves	92.060.645	66.097.629
TOTAL	**112.289.834**	**86.326.818**

RETAINED EARNINGS

Retained earnings include the following components:

Description	30-Jun-19	31-Dec-18
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 representing surplus realized from revaluation reserves	31.752	31.752
Retained earnings coming from the use. on the date of transition to the IFRS application. of the fair value as an assumed cost	14.037.338	14.037.338
TOTAL	**5.548.864**	**5.548.864**

16. Information regarding the Auditing of Financial Statements

The financial statements on 30.06.2019 of SC Biofarm SA are not audited.

Andrei Hrebenciuc
B.D. Chairman

Claudia Matei
Chief Accountant