

BIOFARM S.A.

Individual financial statements
on 30 September 2020
prepared in compliance with IFRS
adopted by the European Union



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ADMINISTRATORS' REPORT
BIOFARM SA for the 3rd Quarter of 2020
Report according to: F.S.A. Regulation No. 5/2018 – Annex 15

For the fiscal year: **2020, 3rd Quarter**

Date of the report: **30.09.2020**

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

Registered office: **Bucharest, str. Logofătul Tăutu nr. 99, sect. 3**

Telephone/fax number: **021.301.06.00/ 021.301.06.05**

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

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

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

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

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

The financial statements of Biofarm SA on 30.09.2020 are not audited.

The financial statements are elaborated according to the commitment accounting. Thus, the effects of transactions and other events are recognized when transactions and events occur and are recorded in the accounting records and reported in the financial statements of the related periods.

The financial statements are elaborated starting from the presumption that the company will continue its activity in the foreseeable future. The company does not have the intention or the need to liquidate or significantly reduce its activity.

1 Analysis of the Commercial Company Activity

Description of the basic activity of the commercial company:

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

Biofarm S.A. has the Certificate on compliance with good manufacturing practice issued by the Ministry of Health - National Agency for Medicines and Medical Devices for:

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

The company's quality management system is certified in accordance with the requirements of ISO 9001 and the Guide to Good Manufacturing Practice (GMP) for all production lines.

At the same time, since 2013, Biofarm company is certified for the environmental management and occupational health and safety system according to ISO 14001 and, respectively, OHSAS 1800.



The company's subscribed share capital on 30 September 2020 is of lei 98,537,535, the nominal value of a share being of lei 0.1/share.

The shareholding structure on 30.09.2020 was the following:

Shareholder	Shares	Percentage
S.I.F. MUNTENIA BUCHAREST locality, SECTOR 4	508.231.323	51.5774
S.I.F. BANAT-CRISANA S.A. ARAD locality, ARAD County	362.096.587	36.7471
Natural persons	97.137.350	9.8579
Legal persons	17.910.090	1.8176
Total	985.375.350	100.0000

Specification of the date of establishment of the commercial company:

BIOFARM SA was established by the GD 1224 of 23.11.1990.

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

On 30.09.2020, the company has the following working points:

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

1.1 General assessment elements

Market share held:

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

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

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



Biofarm has over 150 products in its portfolio and covers over 60 therapeutic areas. On 9 of them, Biofarm is a market leader, a record that honours the company and forces it to do more.

Biofarm operates mainly on the OTC market (over-the-counter drugs) and food supplements where the market share is of 6%, and in units, Biofarm occupies the 2nd place with a market share of 8%¹.

The value of revenues from net sales realised in the first three quarters of 2020 was of lei 156.923.978, increasing by 12% as compared to the same period of 2019, this before the adjustment for IFRS 15.

The market data show a positive evolution of sales towards consumers, in line with the established objectives.

We hold the leader position and/or positions in top 3 on most categories we operate (digestive & metabolism, cold & flu, cardiovascular & circulatory segment).

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

Operating expenses	For the year concluded on	
	30-Sept-20	30-Sept-19
Raw materials and consumables	29.556.296	27.812.644
Personnel expenses	26.609.167	22.101.394
Amortisation	8.160.135	4.933.536
Other operating expenses	37.024.284	34.868.037
Operating expenses	101.349.882	89.715.612

The net operating result on 30.09.2020 is increasing by approximately 11% as compared to the similar period of last year, the net profit of the company registering an increase of approximately 13%.

Corporate tax in the 1st semester of 30.09.2020 is in the amount of lei 10,176,326 as compared to lei 10.258.239 recorded during the same period of 2019.

Liquidity and money available in the account

On 30 September 2020, the general liquidity rate is of 2.98 points, increasing as compared to last year, mainly caused by the increase of the balance of raw material inventories in the first nine months of 2020, as compared to the end of 2019.

Cash accounts on 30 September 2020, according to the balance sheet, represent money deposited in current bank accounts or in deposit accounts with banks in Romania.

¹ According to the CEGEDIM data afferent to the 3rd quarter of 2020



1.2 Assessment of the technical level of the commercial company

Description of the main products realised and/or services provided with the specification:

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

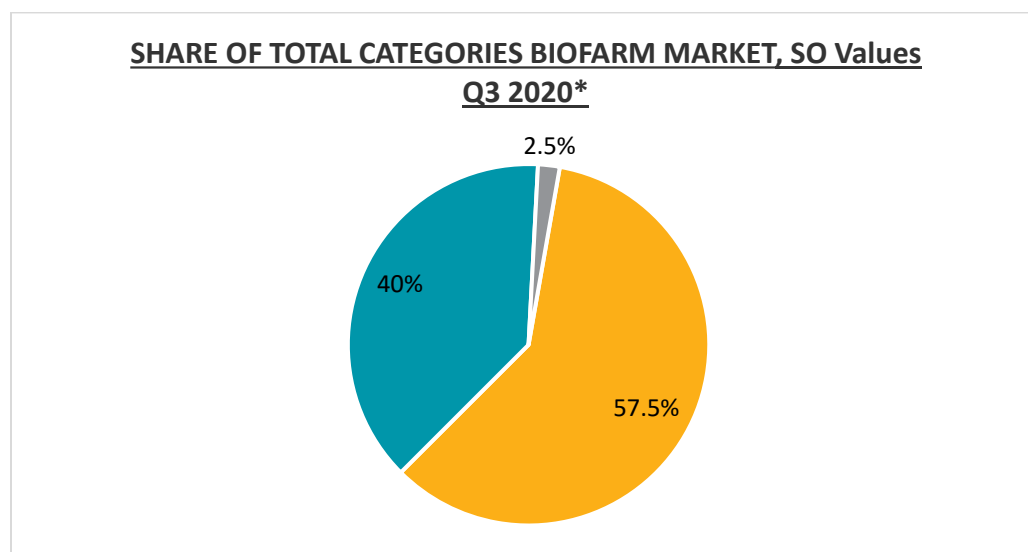
The sales distribution of Biofarm products is mostly done in the retail segment, this segment representing 98% from the total of Biofarm sales both in terms of volume and in terms of value.

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

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

b) share of each category of products or services in the revenues and in the total turnover of the company for the last three years

The share, in (RON) value, of the three categories of products manufactured by Biofarm (food supplements, over-the-counter drugs and prescription drugs) is the following: over-the-counter drugs (OTC) have a share of 57.5%, food supplements (SN) have a share of 40% from the company portfolio, and the share of prescription drugs (RX) is of 2.5%.



*Source CEGEDIM



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

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

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

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

Biofarm wants to intensify the export activity and to realise significant increases both on the markets it is currently operating in, as well as developing export activity in new territories.

1.3 Assessment of technical-material supply activity (indigenous sources, import sources)

The main objectives of the supply activity were:

- securing the necessary inventories of raw materials and packaging materials in the context of the SARS-CoV-2 (COVID-19) pandemic, the orders being launched taking into account the supply duration for each item;
- reduction of acquisition costs;
- identification of new potential partners;
- compliance with the need for raw materials, materials and packaging for production with the concern of eliminating the creation of inactive inventory and slow activity stock;
- re-analysis and renegotiation of contracts/commercial conditions offered by suppliers in 2020 for the reduction of prices for some raw materials and materials;
- increasing the payment terms to the internal and external suppliers for obtaining longer credit periods.

During 2020, Biofarm reanalysed the main suppliers of raw materials and packaging to ensure the best value added for the company and ensuring that we obtain a quality-price ratio but also the optimal payment conditions for the company. Additionally, Biofarm identified a series of new alternative manufacturers with which we will begin collaboration after receiving the necessary approvals from the relevant authorities.

1.4 Assessment of the sales activity

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

The turnover realised by Biofarm SA in the first nine months of 2020 from the sale of finished products and merchandise is in the amount of lei 156.923.978. This turnover is realised mainly



from sales of finished products directly to pharmaceutical distributors (for the internal market) through the outlet point from No. 202-232 Gura Badicului Street, Bucharest.

In the first nine months of 2020, the share of export sales represented approximately 1.50% from the net total sales of Biofarm SA. The company products were exported in 5 countries, as follows: Iraq, Malta, Republic of Moldova, Russia, Hungary.

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

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

In the last period of time, the Romanian pharmaceutical market has been significantly impacted by a number of problems such as:

- SARS-CoV-2 (COVID-19) pandemic;
- devaluation of the national currency against the Euro;
- decrease in the purchasing power of consumers;
- modification of the clawback tax.

At the same time, the national and regional chains segment has expanded a lot in recent years and their bargaining power is increasing, so we are asked for large budgets to keep the products priority both on the shelf and in their recommendations to patients, which requires increasing investments from one year to another.

Market growth in the coming years will be generated by the development of new categories, by the penetration of new players on the Romanian market, with innovative and modern product launches, customized according to the needs of consumers.

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

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

During 2020, Biofarm SA has contracts concluded with a number of 6 distributors, of which 4 realised the largest part of the turnover.

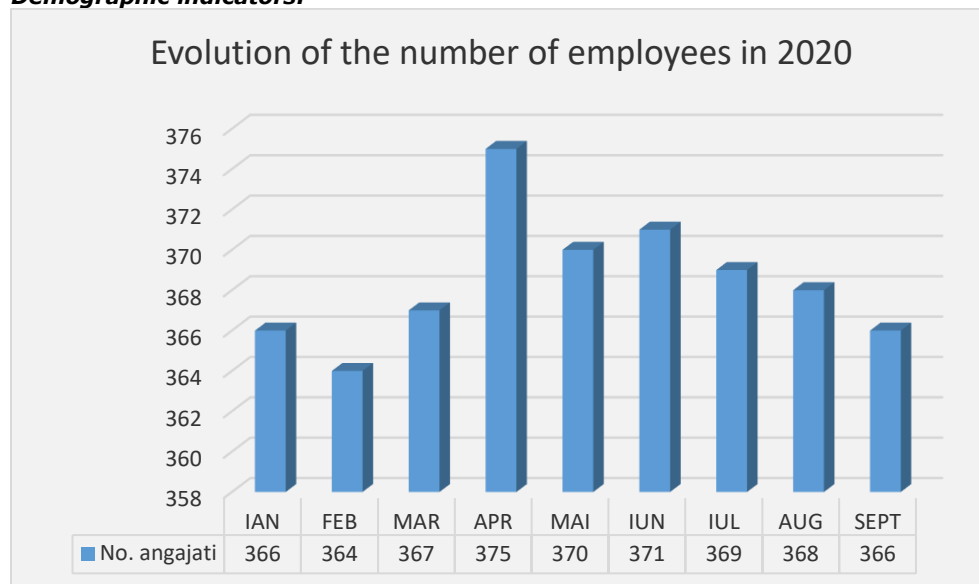


1.5 Assessment of the aspects related to employees/personnel of the commercial company

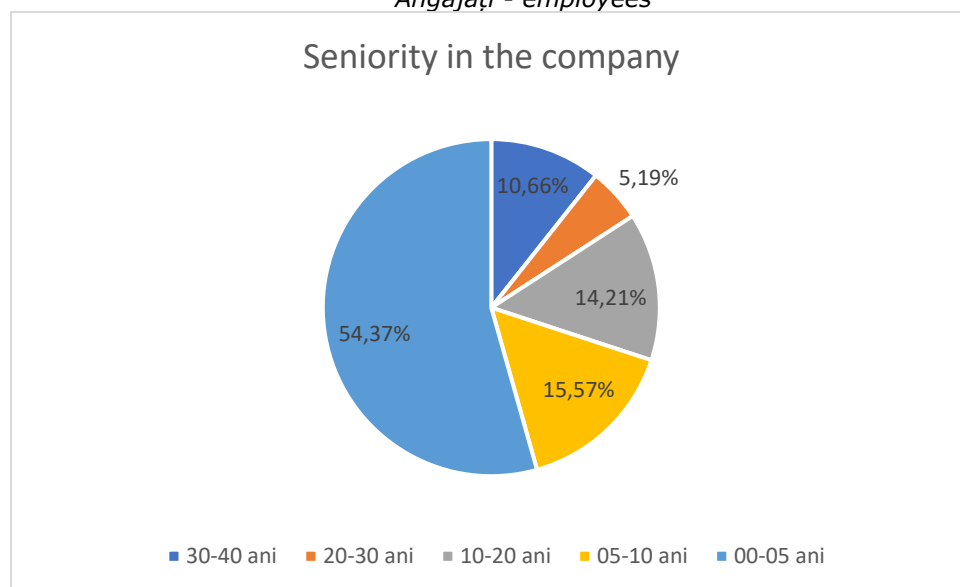
In the first nine months of 2020, Biofarm SA had an average number of 368 employees.

General information

Demographic indicators:

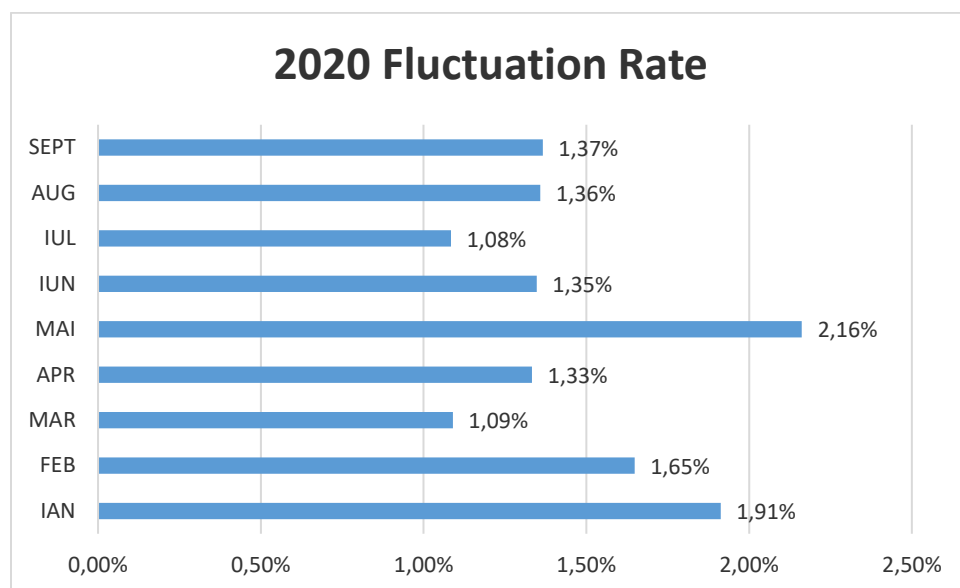


Angajați - employees



Ani - years



2020 fluctuation rate:**Main activity directions:****1. Recruitment and Selection**

The recruitment and selection process was, throughout 2020, in line with the mission, vision and values of the company and had as a final purpose obtaining the proposed results and the increase in the retention of employees. One of the objectives of the Human Resources department was to attract new employees to strengthen the organizational structure of the company.

2020 it was a year of consolidating the company's mission, vision and values, this being largely due to the new management and the new business strategy.

The main challenge continues to remain the attraction of candidates with experience in the pharmaceutical market. In order to be able to meet the new challenges, the Human Resources Department has at its disposal almost all the options currently available in the market, the LinkedIn platform, the Ejobs recruitment sites, Best-Jobs, HiPo, recruitment agencies and staff leasing.

The automation of HR processes remains a major goal for 2020, a year in which Biofarm opts for automation in the area of administration and payroll, and will expand to other processes in the near future.

2. Training and Development

The training programs for 2020 have been designed for the long term, aiming at the continuous education of the employees and with an impact on their performance. The onboarding plan of new employees has the role of integration in the team and company, but also of their long-term retention, so, in addition to the onboarding plan, training and development programs come to improve the skills and abilities of company employees to perform and bring maximum results. As every year, the trainings of GMP, Risk Management,



Pharmacovigilance, GDPR were a priority for the vast majority of employees and were carried out according to annual plans.

The training programs were provided by resorting both to internal resources, and to specialised training companies.

3. Future Action Directions

The Human Resources Department remains a strategic partner for the company, which contributes to achieving organizational objectives and increasing employee performance by continuously improving HR processes and policies and by adapting to business environment trends.

In order to obtain performance, it is necessary to maintain key employees and, at the same time, to attract candidates who resonate to the company values and who can easily adapt to the organisational culture. The training programs an important place in 2020, contributing to the development and performance of employees.

It is important to become a desired employer, as a result, we continue to be present at as many HR events as possible by actively participating in various job fairs in Bucharest, partnerships with publications in the HR area, meetings with high schools in the field to attract students interested in practice, who, later want to work together with us, supporting students associations in various projects and so on.

In the context of increased competitiveness on the labour market and extensive labour mobility, a strong employer brand is the key to retaining and attracting the best specialists.

4. ISO 18001 OHSAS Certification

The supervisory audit for certification 18001 - Organizational Health and Safety has not been completed by the date of the financial statements,

No non-compliances were reported to the company's management during 2020.

Recommendations/opportunities for improvement made by the recertification audit, include elements of an organizational nature such as: records related to the activity of the Workplace Health and Safety Committee (CSSM), inclusion of the criteria for the Selection of services providers and of those related to their competence/empowering, availability of information from the user's manuals for the work equipment at the place of use, verification of technical records of the services providers, system preparation for the migration in 2020 to ISO 45001. The organisational health and safety management activities carried out allowed continuous monitoring of occupational health and safety system performances and making the necessary corrections.

OHSAS specific steps included:

- employment training, periodic and supplementary with preventive purpose;
- determinations of the level of intra-factory noxae, with a preventive purpose;
- periodic analyses to monitor the maintenance of health and work capacity of employees, with a preventive and corrective purpose;
- specialised monitoring for the mentions in the aptitude sheets;
- assimilation of technology that corresponds to quality certification, but also to safety in operation requirements;
- elimination (when possible) but also the respective control, reduction of the use of hazardous substances (when their elimination was not possible), in compliance with the requirements from safety data sheets;
- reassessment of documentations for specific risks;



- the activity of the Occupational Safety and Health Committee was maintained, including to fulfil the elements planned by OHSAS;
- SIPP reorganisation.

All steps undertaken, the human and financial commitment allowed, during 2020 as well, for no work accidents, occupational diseases, or diseases related to the profession to be recorded that would lead to the interruption of the activity, to its diminution, or to sanctions from control institutions.

The external audit assessed that: "The Occupational Safety and Health Management System is appropriate, adequate and effective. The management declared its decision to ensure the continuous improvement of the occupational safety and health system to continue with the compliance with the legislative/regulatory requirements".

1.6 Assessment of the aspects related to the impact of the basic activity of the issuer on the environment

In 2020, the organisation's continued interest and concern for environmental protection activities to minimize the impact on environmental factors, which allows the management to identify and control the impact of all the activities, products or services provided was maintained.

Within the development of the new manufacturing capacities, only those responsible development measures were promoted, which allow monitoring and control of the activity's impact on environmental factors. The wastewater treatment plant from the new emplacement from the work point of No. 202-232 Gura Bădicului Street, Bucharest was maintained in conservation, and in the context of completion of the investment works, the current agreement for the collection of wastewater from Apa Nova SA was maintained.

For the emission reduction equipment from the headquarters (wet/dry filtration elements for atmospheric emissions, dispersion baskets, wastewater treatment equipment - wastewater treatment plant), their use, functioning within the designed parameters was ensured. For the mentioned equipment, maintenance was carried out according to the applicable technical procedures. No environmental incidents/accidents, accidental pollution of environmental factors were recorded on this equipment or on other related equipment.

In 2019 TUV Profi Cert recertification was obtained for the environmental management system, according to SR EN ISO 14001:2015, both for the headquarters from No. 99 Logofătul Tăutu Street - Bucharest, and for the work point with storage activity from No. 202-232 Gura Bădicului Street, Bucharest, following for the supervisory audit for the environmental management system to take place in 2020.

In June 2020, the Water Management Authorisation No. 383/24.06.2020 was obtained, issued by the River Basin Administration ARGES-VEDEA and valid until 30.06.2025.

In May 2020, the files for obtaining the Environmental Authorisations were submitted with the Regional Agency for Environmental Protection, both for the activity carried out in Bucharest, str. Logofătul Tăutu, nr. 99, sect 3, and for the activity to be carried out at the new manufacturing point located in No. 202-232 Gura Bădicului Street, Bucharest.

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



During 2020, the company did not have external complaints. The determinations made revealed the framing at the perimeter limit of the noise level, the measurements being carried out in 2 campaigns.

During 2020, the steps taken to reduce and comply with environmental requirements, made possible the absence of any sanctions, penalties, environmental surcharges, as well as maintaining the positive image of the company, as a company actively involved in environmental protection.

A. Renewal, updating and maintenance of related documents:

Biofarm has periodically obtained the renewal of related documents such as: Water Management Authorization, Takeover Agreement regarding the conditions and obligations regarding the quality of water discharged in the public sewerage, Agreement for the collection of waste water for the working point in No. 202-232 Drumul Gura Bădicului Street.

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

During 2020, the contract of transfer of responsibility for the recovery of packaging (packaging waste) was maintained in order to minimize the environmental impact by the recovery from the market of packaging waste, according to the requirements of the legislation in force;

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

B. Meeting the imposed monitoring:

During 2020, the environmental impact monitoring requirements for all environmental factors have been complied with (emission measurement in: air, water, noise), the results obtained demonstrating the classification of the level of all pollutants within the maximum limits allowed at the activity level from the work point in Logofățul Tăutu Street, and for the one from Gura Bădicului Street, monitoring was carried out only for the waste water discharged (measure established by the takeover agreement).

The environmental impact control monitoring was performed with a RENAR accredited laboratory.

C. Environmental protection measures, equipment and facilities:

At the work point in Logofățul Tăutu, the evacuation of powders is done only by their retention installations, so that the maximum permissible concentrations provided by the regulations in force are complied with. Evacuation of waste gases is done only by dispersion baskets, following the content of waste gases so that they do not exceed the limit values allowed by the norms in force. The evacuation of technological wastewater was carried out through the wastewater treatment plant, so that their contents fall within the imposed limits.



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

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

There has been an interest in reducing the use of hazardous chemicals in specific processes and promoting, developing the use of raw materials, materials, preparations from renewable (biological) or biodegradable resources.

In 2020, the provisions of Law 211 of 2011 regarding the waste regime were continued with subsequent modifications and completions, implicitly of the internal procedure "Waste management".

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

In order to comply with the legal requirement for the separate collection of separate collection of paper, plastic, metal and glass waste, besides the space in the temporary storage warehouse in the company's interior yard, there are containers for their selective collection, containers on dedicated colours (blue-paper, yellow-plastic, green-glass), and each production and auxiliary and administrative activity flow was equipped with containers suitable for collection. Also within the inner court, there is a delimited and concreted area where ferrous waste is collected.

All waste generated at company level were stored temporarily in a warehouse provided with separate spaces for all categories of waste (recyclable, hazardous, non-hazardous waste, WEEE) and prepared for taking over for recovery or for final disposal, to authorised economic operators, based on the contracts concluded with them.

Due to compliance with the legal requirement for separate collection of the main types of recyclable waste (paper, plastic, glass), in 2019 there was a decrease in the quantity of household waste generated both from the headquarters and from the work point - warehouses in Bucharest.

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

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

Investments for the development of new manufacturing capacities continued in 2020 as well, including equipment to minimize losses, with energy efficiency and in line with the requirements of quality and safety in operation.

The management and maintenance of the fleet was carried out in accordance with the legal requirements (revisions and service planned through authorized units), the measures taken



allowed the classification within the forecasted consumption, the lack of road events as well as possible sanctions. The acquisition in the fleet that corresponds to the required, safe use performances and with emissions within the admitted limits continued.

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

The vegetation was maintained on the area with the destination of green space, both from the headquarters and from the platform from Gura Bădicului Street, no. 202-232, at the latter emplacement, pre-treatment plants contributed with a significant water flow to the necessary for watering the green spaces.

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

The steps for commissioning new depollution plants for the new manufacturing emplacement continued. All steps, organisational and technological measures carried out have led to the maintenance of authorisations and afferent documents, to the avoidance of penalties, surcharges, fines throughout 2020, but also in the absence of any emergency situations, the preservation of good neighbourhood and the positive image of the company.

Moving the chewable tablets manufacturing line to the new site also generated the relocation of the fat separator with accelerated flotation on this site, upstream of the treatment plant.

1.7 Assessment of the research and development activity

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

During 2020, the registration/re-registration activity of products from the portfolio comprised a series of APP drug renewals, new APP and reformulations, as follows:

- ✓ **5 drugs:** Silymarin Biofarm 150 mg tablets, Trecid 100mg/5ml syrup, Triferment Forte 325mg gastro-resistant tablets, Clotrimazole 10.87mg/ml cutaneous solution; Colebil sugar-coated tablets
- ✓ **3 new MA:** Folic Acid Biofarm 5 mg; Acetylsalicylic Acid Biofarm 500 mg; Biofen Extra 400 mg/325mg;
- ✓ **Update of Biofarm drugs logo:** Protecardin 75mg, Protecardin 100mg, Bioflu soft capsules, Bioflu Plus soft capsules, Bioflu Baby 120mg/5 ml syrup, Bioflu Junior syrup, Bioflu Plus Junior syrup, Bioflu expectorant syrup, Clorocalcin, Antispasmin 40mg, Antispasmin 80mg, Bixtonim nasal drops, Bixtonim 0.5 mg/ml nasal drops, Bixtonim 1 mg/ml nasal drops, Bixtonim 0.5 mg/ml nasal spray, Bixtonim 1 mg/ml nasal spray, Bixtonim Flavour 1 mg/ml nasal spray, Colebil, Anghirol, Plantain syrup, Panzcebil; Colchicine, Triferment 275 mg, Triferment Forte 325mg; Vermigal Novo 200 mg; Silymarin 150 mg;
- ✓ **Update of Biofarm logo for food supplements, cosmetics and medical devices:** Devaricid + C with chestnut extract, Devaricid film-coated tablets x 30,



Devaricid cream 50 ml, Extravalerianic Cardio, Septosol cream, Septosol Honey and Lemon, Carbocit x 30 tablets, Ascolecitin, Herbaflu Nasal Lavage Protect, Herbaflu Nasal Lavage x 10 ml, Herbaflu Inhalant drops 10 ml, Herbaflu ivy extract syrup 100, Lactic calcium x 20 tablets, Lactic calcium x 50 tablets (blister), Difebiom lutein film-coated tablets x 60, Difebiom lutein film-coated tablets x 30, Boramid, ear drops 10 ml., Carbichol soft capsules x 30, Vitamin A+D2 x 30 soft capsules, Ossidenta mouthwash x 50 ml., Ossidenta cherries + mint 250 ml, Ossidenta mint x 250 ml; Hepatoprotect tablets, Hepatoprotect Forte, Hepatoprotect Regenerator, Hepatoprotect Regenerator Forte; BIOLAND Ca + Mg + Zn,, BIOLAND Ca Mg vit. D3; BIOLAND Vit. C+ simple; Vit. C Forte 500 BIOLAND; Vitamin C Bioland Jr solution; Magnefort sugar-coated tablets; Nervocalmin Relaxare, Nervocalmin Somn Usor; Sennalax, Sennalax + buckthorn;

1.8 Assessment of the commercial company activity on risk management

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

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

Credit Risk

Credit risk is the risk of financial loss for the Company that appears if a client or a counterparty to a financial instrument does not fulfil its contractual obligations. The company is mainly exposed to the credit risk arising from sales to clients.

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

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

The debt collection period is in average at 120 days and is below the current pharmaceutical market level. Biofarm SA managed to permanently provide the necessary liquidity and solvency at high rates and will try to maintain the positive trend of the debt collection periods.

In 2020, to decrease the credit risk, Biofarm SA continued to ensure the debts of the company by the conclusion of a policy to insure debts.

Foreign Exchange Risk

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



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

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

Liquidity Risk

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

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

At the end of the 3rd quarter, the Company has enough liquid resources to honour its obligations in all the reasonable circumstances envisaged.

The company has no outstanding obligations to the state budget.

1.9 Elements of perspective regarding the activity of the commercial company

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

Economic-financial indicators on 30 September 2020:

<i>CAPITAL PROFITABILITY AND RETURN</i>	30-Sept-20
Efficiency of available capital	
Profit before interest and tax (A)	55.728.249
Available capital (B)	283.445.872
A/B	19.66%
Equity efficiency	
Net profit (A)	45.551.923
Equity (B)	282.838.874
A/B	16.11%
Operational profit rate	
Profit before interest and tax (A)	55.728.249
Operating income (B)	156.072.850
A/B	35.71%
Net profit rate	
Net profit (A)	45.551.923
Total income (B)	157.078.131
A/B	29.00%
Total assets rate	
Profit before interest and tax (A)	55.728.249
Total assets (B)	351.195.703
A/B	15.87%



SOLVABILITY

30-Sept-20

Debt rate

Total obligations (A) 68.356.829

Total assets (B) 351.195.703

A/B 19.46%

Rate of financial autonomy

Equity (A) 282.838.874

Total assets less net current debts (B) 283.445.872

A/B 99.79%

LIQUIDITY AND WORKING CAPITAL

30-Sept-20

General liquidity rate

Current assets 201.750.934

Current obligations 67.749.831

(A/B) 2.98

Rapid liquidity rate

Current assets 201.750.934

Inventories 37.648.510

Current obligations 67.749.831

(A-B)/C 2.42

Client collection period

Trade receivables (A) 73.565.450

Net turnover (B) 156.923.978

(A/B)*270 days 127

Period of inventory immobilization

Inventories of finished products and merchandise (A) 37.398.010

Net turnover (B) 156.923.978

(A/B)*270 days 64

Period for suppliers' payment

Suppliers (A) 20.111.944

Material and external expenses (B) 79.230.891

(A/B)*270 days 69



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

On 30.09.2020, the situation of fixed assets held by Biofarm SA is presented as follows:

TANGIBLE ASSETS	30-Sep-20	31-Dec-19
Lands and constructions	57.047.705	55.517.011
Technical installations and machines	37.747.144	39.087.509
Other installations, machinery and furniture	300.521	262.767
Tangible assets under execution	37.406.748	31.587.020
TOTAL	132.502.118	126.454.307

In 2020, the value of purchases of tangible assets was of lei 13.974.802.

2 Tangible Assets of the Commercial Company

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

The Biofarm policy is to reassess the patrimony every 3 (three) years. The last re-evaluation was done on 31.12.2019, when the land in the Iancu de Hunedoara location being in the company patrimony was reassessed. The reassessment report of lands was capitalised in the accounting on 31.12.2019.

The company production activity continued to be realised on the manufacturing flows, GMP recertified (Good Manufacturing Practice) during 2020, structured according to the pharmaceutical forms that occur and namely:

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

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

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

- the realisation of the production plan;
- classification within the local budget;



- classification in the specific consumption of utilities per unit on each manufacturing flow.

Also, in order to realise the production, specific consumptions of raw materials, primary and secondary packaging materials were established, which were tracked on each manufacturing flow and on each series of manufactured product. Reducing consumption is achieved by working in campaigns and using manufacturing equipment at maximum capacity.

Investment in the New Factory

In accordance with the general objectives of the company, in 2020 a series of investments necessary for the development of the company were made, according to the approved investment budget.

In the first nine months of 2020, the works for obtaining the permits/authorisations necessary to start the manufacturing activity in the new factory, the physicochemical laboratory and the microbiological laboratory and the acquisition of equipment and materials necessary for the partitioning of laboratories continued.

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

On 30 September 2020, the company does not have an ownership title over the land in use from Logofat Tautustreet, nr. 99.

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

In compliance with the provisions of the GD 834/1991 Art. 1, the company requested to obtain the certificate attesting the ownership right over the land for all the lands necessary to carry out the activity according to the activity object.

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

3 Market of Securities Issued by the Commercial Company

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

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

Description of any activity of the commercial company to purchase its 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 by the Depozitarul Central of the company. On 30.09.2020, Biofarm SA held, therefore, 8,126 own shares.

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

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



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

Biofarm SA did not issue in 2020 bonds or other types of debt securities.

4 Management of the Commercial Company

The structure of the Board of Directors of Biofarm SA was the following:

➤ during the period 01.01.2020 – 07.09.2020, it was composed of:

- Andrei HREBENCIUC – B.D. Chairman
- Cătălin Constantin VICOL – B.D. Member
- Dragoș George BÎLTEANU – B.D. Member
- Bogdan Alexandru DRĂGOI – B.D. Member
- Rachid EL LAKIS – B.D. Member

➤ during the period 08.09.2020 – 17.09.2020, it was composed of:

- Andrei HREBENCIUC – B.D. Chairman
- Cătălin Constantin VICOL – B.D. Member
- Bogdan Alexandru DRĂGOI – B.D. Member
- Rachid EL LAKIS – B.D. Member

➤ during the period 18.09.2020 – 30.09.2020, it was composed of:

- Andrei HREBENCIUC – B.D. Chairman
- Cătălin Constantin VICOL – B.D. Member
- Bogdan Alexandru DRĂGOI – B.D. Member
- Rachid EL LAKIS – B.D. Member
- Nicușor Marian BUICĂ – B.D. Member



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

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



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

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



Surname/First Name	DRAGOȘ GEORGE BÎLTEANU
Date of birth	02.08.1977
Professional qualification	<p>1995-1997- Academy of Economic Studies of Bucharest, "Faculty of International Economic Relations"</p> <p>2004- 2005 – Executive Master in Business Administration - „Executive MBA”– ASEBUSS, Bucharest, Romania, in partnership with Kennesaw State University, Atlanta, USA</p> <p>Chartered accountant, member of CECCAR- The Body of Expert and Licensed Accountants of Romania.</p> <p>Financial Auditor, member of the Chamber of Financial Auditors of Romania.</p> <p>Fiscal Consultant, member of the Chamber of Fiscal Consultants in Romania.</p> <p>Liquidator, member of UNPRL - National Union of Insolvency and Liquidation Practitioners.</p>
Professional experience	<p>1997- 2004 - Associate Coordinator – BG CONTA S.R.L.</p> <p>2004-2006 - Significant shareholder and representative of the majority stake - ENERGOREPARATII SERV S.A.</p> <p>2005- 2007 - Major Shareholder and Sole Director - IEMI S.A.</p> <p>2005- Present- Sole Director -BG MANAGEMENT CONSULTANTS S.R.L.</p> <p>2008- Present- Romenergo Group of Companies – Member in the Board of Directors, General Manager of Romenergo S.A. (2008 – October 2012)</p> <p>January 2010 – December 2014 - SIF Banat-Crișana member in the Board of Directors, BD Vice-president since June 2012, BD Chairman and General Manager since December 2012 until December 2014.</p>



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



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

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

N/A

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

Andrei Hrebenciuc – B.D. Chairman	5,000
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No persons affiliated to the company with whom it would have carried out any activity during 2020 have been identified.



5 Financial – Accounting Statement

5.1 Assets, liabilities and equity statement

Description	- Lei -	
	30-Sep-20	31-Dec-19
Fixed assets	149.444.769	143.825.906
Current assets	201.750.934	202.790.764
TOTAL ASSETS	351.195.703	346.616.670
Current debts	67.749.831	88.779.341
Long-term debts	606.998	606.998
TOTAL DEBTS	68.356.829	89.386.339
NET ASSETS	282.838.874	257.230.331
Share capital and reserves	30-Sep-20	31-Dec-19
Share capital	98.537.535	98.537.535
Own shares	(813)	(813)
Premiums related to the issue/redemption of own shares	(173.154)	(173.154)
Revaluation reserves	1.967.642	1.967.642
Reserves	23.350.438	101.914.398
Retained earnings	113.605.303	5.548.864
Current result	45.551.923	50.881.819
Profit distribution	-	(1.445.960)
TOTAL CAPITALS	282.838.874	257.230.331



5.2 Income and expenses statement

Description	- Lei -	
	For the period concluded on	
	30-Sep-20	30-Sep-19
Income from sales	156.923.978	140.143.660
IFRS 15 adjustment income	(3.132.342)	(4.627.703)
Other operating income	168.192	632.251
Changes in inventories	2.113.021	2.878.818
Total operating expenses	101.349.882	89.715.612
Operating profit/(loss)	54.722.967	49.311.415
Net financial income/(costs)	1.005.282	1.102.754
Profit before tax	55.728.249	50.414.169
Expenses with taxes	10.176.326	10.258.239
Profit	45.551.923	40.155.930

5.3 Cash flow (Lei)

Description	For the period concluded on	
	30-Sep-20	31-Dec-19
Initial balance	91.128.639	45.632.578
Cash within the basic activity	34.327.074	72.959.729
Cash within the investments activity	(12.683.454)	(18.024.424)
Cash within the financing activity	(28.878.719)	(9.439.244)
Final balance	83.893.540	91.128.639



6 Annual Report on Corporate Governance

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

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

The company reported in compliance with the provisions of art. 871 para. (1) and (2) from the Bucharest Inventory Exchange Code Book I - Title II Issuers and Financial Instruments, the stage of compliance with the Corporate Governance Code of the Bucharest Inventory Exchange, the declaration of conformity constitutes an annex to this report.

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

6.1 Corporate Governance Structures

6.1.1 General Meetings of Shareholders

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

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

6.1.2 Board of Directors

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

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

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

The Board of Directors has the following duties:

- a. to establish the main directions of activity and company's development;
- b. to establish the accounting and financial control system and to approve the financial planning;



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

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

- during the period 01.01.2020 – 07.09.2020:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Dragoş George BÎLTEANU – B.D. Member, non-executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
- during the period 08.09.2020 – 17.09.2020:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
- during the period 18.09.2020 – 30.09.2020:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
 - Nicuşor Marian BUICĂ – B.D. Member, non-executive, non-independent



The Board of Directors was composed of 5 members (except for the abovementioned period when a position was vacant), of which 4 non-executive members and one executive member:

- Andrei HREBENCIUC – elected for the first time in 2013 (by the GMS Decision No. 70/06.11.2013), re-elected for a consecutive mandate of 4 years in 2017;
- Bogdan Alexandru DRĂGOI – provisionally appointed by the Board of Directors in 2015 (by the BD Decision No. 167/10.12.2015) and confirmed in position in 2016 (by the GMS Decision No. 75/29.04.2016), re-elected for a consecutive mandate of 4 years in 2017;
- Cătălin Constantin VICOL – provisionally appointed by the Board of Directors in 2018 (by the BD Decision No. 209/ 06.12.2018), and confirmed in position in 2019 (by the GMS Decision No. 79/23.04.2019) for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation;
- Rachid EL LAKIS – elected in 2019 (by the GMS Decision No. 80/11.12.2019), for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation;
- Dragoș George BÎLTEANU – elected for the first time in 2013 (by the GMS Decision No. 70/06.11.2013), re-elected for a consecutive mandate of 4 years in 2017; he gave up the mandate starting with 07.09.2020;
- Nicușor Marian BUICĂ – provisionally appointed by the Board of Directors in 2020 (by Board Decision no. 5/18.09.2020 starting from the same date), to be confirmed by the General Meeting of Shareholders.

During the fiscal year 2020 (period 01.01.2020-30.09.2020), the Chairman of the Board of Directors convened 9 times the members of the Board of Directors. The Members of the Board of Directors participated in meetings in person, by telephone or e-mail in accordance with the provisions of the Articles of Incorporation.

Administrator	Number of meetings to which he attended	Number of meetings to which he was absent	Total number of meetings*
Andrei Hrebenciuc	9	-	9
Bogdan Alexandru Drăgoi	9	-	9
Cătălin Constantin Vicol	9	-	9
Rachid El Lakis	9	-	9
Dragoș George Bîlteanu	8	-	8
Nicușor Marian Buică	-	-	-

**meetings to which they were convened during the mandate in 2020*

The following were presented, discussed and approved, as appropriate: the OGMS balance sheet convocation, financial statements, annual commercial policy, dividends distribution procedures (2018 additional and 2019), Corporate Governance Regulation of the company, maintaining the end user authorisation for the alcohol necessary for the production of drugs, changes in the company management, extension of the activity objects of the work point from



Drumul Gura Badicului street, no. 202-232, taking the necessary decisions to carry out the company's activity.

On 30.09.2020, there is no Committee established (Audit, Nomination, Remuneration) at the level of the Board of Directors of Biofarm S.A.

Following the meetings of the Board of Directors, 5 decisions were issued, communicated to the departments that were going to accomplish them.

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

- a. convenes the General Meeting of Shareholders at the proposal of the Board of Directors or at the request of Shareholders holding individually or cumulatively at least 5% of the share capital;
- b. manages the meetings of the Board of Directors and manages the General Meetings;
- c. coordinates the activity of the board and reports regarding this to the General Meeting of Shareholders;
- d. ensures the proper functioning of the company's bodies.

The General Manager has the following duties:

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

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

The General Manager is responsible for exceeding his duties.

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

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



On 30.09.2020, company management team was ensured by the following persons:

Cătălin Constantin Vicol – General Manager

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

Cătălin Vicol has been active in the pharma market for over 15 years. He managed the local branch of Walmark between 2008 and 2016, and since 2010, he occupied the position of Regional Manager as well, being responsible for Romania, Bulgaria, Hungary and Moldova. For the past two years, he has been General Manager of Air Liquide Vitalaire Romania, one of the largest companies on the market for respiratory medical services and home medical devices.

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

Mihai Trifu - Chief Financial Officer

Mihai Trifu has under his subordination the Financial Departments – Accounting, Human Resources, Legal Office, IT and Controlling of Biofarm S.A.

In his role, Mihai is in charge with improving the financial and control environment within the company. Mihai Trifu is involved in the standardisation and improvement of internal financial and control processes for maximising the company's performances, to reduce risks and ensure the compliance with the internal policies and procedures. He brings more than 10 years of work experience in the financial audit departments, internal audit, internal control, management and financial consultancy in companies such as Delphi (company listed on the inventory exchange from New York), PwC Romania or E&Y Romania. He holds a Master's Degree in Business Administration from the Academy of Economic Studies of Bucharest and ACCA certification.

Ioana Gorănescu - Manager Marketing

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

Dragoș Moise – Trade Manager

Dragoș leads the Trade Department (Trade Marketing, Key Account & Distributors) within Biofarm S.A. developing the company Trade and Sales strategies concerning the sales in Distributors and from Distributors to pharmacies of national chain type and independent



pharmacies. His previous experience, of over 20 years in large multinational and local companies, with strong brands, market leaders in different segments such as Unilever, Scandia Food and Walmark Romania, help him that, together with the team it coordinates, to reach the growth objectives of the company. Dragoş is licensed in Mechanical Engineering, studies graduated within the Ovidius University of Constanţa.

Dănuţ Iorga – Field Force Manager

Dănuţ coordinates the sales and medical promotion teams within Biofarm S.A., teams whose objective is to reach the sales figures in pharmacies - the Sales team, respectively the market share targets for the brands in medical promotion - the Medical Promotion team. Licensed engineer of TCM Iaşi Faculty, Dănuţ has built a career in sales since the first years of activity, accumulating an experience of over 25 years, of which 22 years in management positions, the experience accumulated both in FMCG - 12 years - as well as in Pharma - 13 years - developing their area of expertise both in the sales area and in the medical promotion field.

Monica Claudia Matei – Chief Accountant

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

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

Petruţa Stoicescu – Manufacturing Manager

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

Maria Bogde - Human Resources Manager

Maria leads the HR Department within Biofarm S.A. since April 2018 where, together with her team, contributes to the improvement of HR processes and policies, to the identification of new talents within the teams from the company, development of programs that help retain and motivate employees, but also other HR projects that help performance and development.



Licensed in Sociology – Psychology and having a Master’s Degree in Human Resources, Maria Bogde began her career in HR since 2006, working in different business fields, the last 7 years before Biofarm being also in the Pharma field, within Prismus International.

Daniel Constantin – Legal Manager & DPO

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

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

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

Lucian Bogaciu – Administrative Manager

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

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

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

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

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

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

There are no agreements, understandings or family connections between the persons from the company's executive management and other affiliated parties.

The number of shares held by the members of the executive management and of the Board of Directors of Biofarm S.A. on 30.09.2020 are presented in the following table:

Andrei Hrebenciuc – B.D. Chairman	5.000
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The persons being part of the executive management or the Board of Directors of the company were not involved in disputes or administrative procedures in relation with their activity within the issuer.

6.2 Rights of shareholders

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

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

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

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

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

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

The Extraordinary General Meeting of Shareholders may decide the trading of preference rights under the law and the F.S.A. regulations.

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

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

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

For the information of shareholders on the company website there is information posted in Corporative Governance section regarding:

- General information
- Financial calendar
- Current reports
- Communiqués



- Financial statements
- General Meetings of Shareholders (convocations, GMS materials, GMS decisions, forms of special powers of attorney, forms of vote by mail, results of votes cast, draft resolutions etc.)
- Procedures of dividends distribution
- Coverage by analysts
- Updated Articles of Incorporation
- Policies
- Regulations
- Apply or Explain Declaration
- B.D. presentation and executive management
- Transactions of initiated persons
- Note to inform shareholders about the protection of personal data
- BSE info
- Price of shares
- Frequent questions
- Contact persons for the relation with shareholders and their contact data

B.D. CHAIRMAN

Andrei Hrebenciuc



COMPREHENSIVE INCOME STATEMENT
for the year concluded on 30 September 2020
(all the amounts are expressed in LEI, unless otherwise mentioned)

7 Comprehensive Income Statement		<i>For the period concluded on</i>	
	NOTE	30-Sep-20	30-Sep-19
Income from sales	4	156.923.978	140.143.660
IFRS 15 adjustment income		(3.132.342)	(4.627.703)
Other operating income		168.192	632.251
Inventories variation		2.113.021	2.878.818
Raw materials and consumables	5	29.556.296	27.812.644
Personnel expenses	6	26.609.167	22.101.394
Amortisation		8.160.135	4.933.536
Other operating expenses	7	37.024.284	34.868.037
Operating profit/(loss)		54.722.967	49.311.415
Net financial income/(costs)	8	1.005.282	1.102.754
Profit/(Loss) before tax		55.728.249	50.414.169
Corporate tax expenses	9	10.176.326	10.258.239
Profit/(Loss)		45.551.923	40.155.930
Other comprehensive income elements			
Reassessment of tangible assets		-	-
Deferred tax related to reassessment		-	-
Total comprehensive income		45.551.923	40.155.930

Explanatory notes numbered from 1 to 28 are an integral part of the financial statements
Approved by the Board of Directors on 9 November 2020 and signed on his behalf by:

Andrei Hrebenciuc
Chairman

Drafted by:
Claudia Matei
Chief Accountant



FINANCIAL POSITION STATEMENT
for the year concluded on 30 September 2020
(all the amounts are expressed in LEI, unless otherwise mentioned)

8 Financial Position Statement

Assets	NOTE	30-Sep-20	31-Dec-19
Tangible assets	10	132.502.118	126.454.307
Real estate assets	11	11.533.330	11.533.330
Intangible assets	12	547.190	839.771
Other fixed assets		9.095	7.095
Deferred tax	18	4.853.036	4.991.403
Fixed assets		149.444.769	143.825.906
Inventories	13	37.648.510	18.289.407
Trade receivables and similar	14	80.208.884	93.372.718
Cash and cash equivalents	15	83.893.540	91.128.639
Current assets		201.750.934	202.790.764
TOTAL ASSETS		351.195.703	346.616.670
Debts			
Commercial debts and similar	16	31.319.267	54.542.504
Debts on corporate tax		4.188.016	2.436.362
IFRS 15 advance income	4	28.627.507	25.495.165
Provisions	19	3.615.040	6.305.310
Current debts		67.749.831	88.779.341
Provisions	19	606.998	606.998
Long-term debts		606.998	606.998
TOTAL DEBTS		68.356.829	89.386.339
 NET ASSETS		 282.838.874	 257.230.331

Explanatory notes numbered from 1 to 28 are an integral part of the financial statements
Approved by the Board of Directors on 9 November 2020 and signed on his behalf by:

Andrei Hrebenciuc
Chairman

Drafted by:

Claudia Matei
Chief Accountant



FINANCIAL STATEMENT POSITION (continued)

for the year concluded on 30 September 2020

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

Share capital and reserves	NOTE	30-Sep-20	31-Dec-19
Share capital	20	98.537.535	98.537.535
Own shares	21	(813)	(813)
Premiums related to the issuance/redemption of own shares		(173.154)	(173.154)
Revaluation reserves	22	1.967.642	1.967.642
Reserves	22	23.350.438	101.914.398
Retained earnings	23	113.605.303	5.548.864
Current result		45.551.923	50.881.819
Profit distribution	24	-	(1.445.960)
TOTAL CAPITALS		282.838.874	257.230.331

Explanatory notes numbered from 1 to 28 are an integral part of the financial statements
 Approved by the Board of Directors on 9 November 2020 and signed on his behalf by:

Andrei Hrebenciuc
 Chairman

Drafted by:

Claudia Matei
 Chief Accountant



CASH FLOW STATEMENT
for the year concluded on 30 September 2020
(all amounts are expressed in LEI, unless otherwise mentioned)

9 Cash Flow Statement	For the period concluded on	
Flows from operating activities	30-Sep-20	31-Dec-19
Profit before tax	55.728.249	62.468.452
<i>Adjustments for:</i>		
Receivable adjustment	568.622	(4.625.149)
Adjustment of inventories	(1.805.009)	71.933
Amortisations and provisions	8.160.136	8.095.349
Modification of the real estate investments value	-	(195.521)
Loss / (profit) from the disposal of assets	(94.671)	(210.738)
Adjustment of other provisions	(2.690.261)	1.940.090
Other financial income	(1.005.286)	(1.576.452)
Financial costs	4	10
Profit before the modification of the working capital	58.861.784	65.967.974
Decrease / (increase) of receivables	12.537.347	1.119.533
Decrease / (increase) of inventories	(17.554.097)	472.686
Increase / (decrease) of debts	(11.231.655)	17.051.189
Cash from operating activities	42.613.379	84.611.382
Paid financial costs	-	-
Paid profit tax	(8.286.305)	(11.651.653)
Net cash from operating activities	34.327.074	72.959.729
Flows from investments activities		
Acquisitions of tangible assets	(13.974.802)	(19.795.610)
Collections from the sale of fixed assets	94.671	228.710
Collected interest	1.196.677	1.542.476
Net flows from investment activities	(12.683.454)	(18.024.424)
Flows from financing activities		
Paid dividends	(28.878.719)	(9.439.244)
Net flows from financing activities	(28.878.719)	(9.439.244)
Cash net increase/(decrease)	(7.235.099)	45.496.061
Cash and cash equivalents at the beginning of the period	91.128.639	45.632.578
Cash and cash equivalents at the end of the period	83.893.540	91.128.639

Explanatory notes numbered from 1 la 28 are an integral part of the financial statements.

Approved by the Board of Directors on 9 November 2020
and signed on his behalf by:
Andrei Hrebenciuc
Chairman

Drafted by:
Claudia Matei
Chief Accountant



STATEMENT OF MODIFICATIONS IN EQUITIES
for the year concluded on 30 September 2020
(all the amounts are expressed in LEI, unless otherwise mentioned)

10 Statement of Modifications in Equities

	Subscribed capital	Own shares	Share issuance losses	Reserves	Retained earnings and current result	TOTAL
31-Dec-18	98.537.535	(813)	(173.154)	86.326.818	40.728.129	225.418.515
Current and retained comprehensive income	-	-	-	-	50.881.819	50.881.819
Allocations of legal reserve	-	-	-	1.445.960	(1.445.960)	-
Fiscal facility reserve allocations	-	-	-	-	-	-
Allocations of other reserves	-	-	-	15.471.757	(15.471.757)	-
Allocations of other revaluation reserves	-	-	-	-	-	-
Prescribed dividends	-	-	-	637.505	-	637.505
Distributed dividends	-	-	-	-	(19.707.508)	(19.707.508)
31-Dec-19	98.537.535	(813)	(173.154)	103.882.040	54.984.723	257.230.331
Current and retained comprehensive income	-	-	-	-	45.551.923	45.551.923
Allocations of legal reserve	-	-	-	-	-	-
Fiscal facility reserve allocations	-	-	-	-	-	-
Allocations of other reserves	-	-	-	(78.563.960)	78.563.960	-
Allocations of other revaluation reserves	-	-	-	-	-	-
Prescribed dividends	-	-	-	-	749.502	749.502
Distributed dividends	-	-	-	-	(20.692.882)	(20.692.882)
30-Sep-20	98.537.535	(813)	(173.154)	25.318.080	159.157.226	282.838.874

Explanatory notes numbered from 1 la 28 are an integral part of the financial statements,

Approved by the Board of Directors on 9 November 2020
and signed on his behalf by:
Andrei Hrebenciuc
Chairman

Drafted by:
Claudia Matei
Chief Accountant



1 General Information

1.1 Company presentation

BIOFARM S.A. has the registered office in Bucharest, str. Logofățul Tăutu, 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 30.09.2020, the company has the following working points:

- Bucharest, Bd-ul Iancu de Hunedoara, no. 42-44, sector 1, tax identification number 14008268;
- Bucharest, Gura Badicului street, no. 202-232, finished products distribution warehouse, tax identification number 30037915.

The shareholding structure on 30.09.2020 was the following:

Shareholder	Shares	Percentage
S.I.F. MUNTENIA BUCHAREST locality, SECTOR 4	508.231.323	51.5774
S.I.F. BANAT-CRISANA S.A. ARAD locality, ARAD County	362.096.587	36.7471
Natural persons	97.137.350	9.8579
Legal persons	17.910.090	1.8176
Total	985.375.350	100.0000

1.2 Corporate governance structures

The Company elaborated a Corporate Governance Regulation that is posted on the company website www.biofarm.ro at the Corporate Governance section. The purpose of adopting the Corporate Governance Regulation is to ensure transparency, the rights of shareholders and of third parties, as well as company's credibility.

1.2.1 General Meetings of Shareholders

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

1.2.2 Board of Directors

The Board of Directors was composed of 5 members (except for the period mentioned below when a position was vacant), of which 4 non-executive members and one executive member:

- during the period 01.01.2020 – 07.09.2020 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Dragoș George BÎLTEANU – B.D. Member, non-executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year concluded on 30 September 2020
(all the amounts are expressed in LEI, unless otherwise mentioned)

- during the period 08.09.2020 – 17.09.2020 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent

- during the period 18.09.2020 – 30.09.2020 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent
 - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent

On 30.09.2020, the company management team was ensured by the following persons:

- Catalin Constantin Vicol – General Manager
- Mihai Trifu – Chief Financial Officer
- Claudia Matei – Chief Accountant
- Petruta Stoicescu – Manufacturing Manager
- Ioana Goranescu – Marketing Manager
- Danut Iorga – Field Force Manager
- Dragos Moise – Trade Manager
- Daniel Constantin – Legal & DPO Manager
- Maria Bogde – Human Resources Manager
- Lucian Bogaciu- Administrative Manager

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

All the persons who are part of the executive management of the company are employed with a contract for indefinite period, less Mr Cătălin Constantin Vicol, General Manager, who has concluded a mandate contract, the Human Resources Manager, the Chief Accountant and the Chief Financial Officer, who have concluded management contracts.

There are no agreements, understandings or family ties between the persons in the executive management of the company and another person due to whom the person in the executive management has been appointed as a member of the executive management.

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

2 Accounting Policies

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



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

The separate financial statements have been approved by the Board of Directors during the meeting of 9 November 2020.

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 Crucial 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) Expenses accounting estimates

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



(e) Taxation

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

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

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

Intangible assets generated internally (development costs)

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

Development expenditures are not significant; 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.

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	Life duration
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 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 be reassessed amount, in accordance with the provisions of another Standard (for example, in accordance with the reassessment model from the IAS 16 Tangible assets). Any impairment loss in the case of a reassessed asset is considered as being a decrease generated by reassessment.

Financial assets - IFRS 9 – Financial instruments (replaces IAS 39 Financial instruments: recognition and assessment)**Initial assessment of financial assets and of financial debts**

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

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



Subsequent assessment of financial assets

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

Depreciation of financial assets

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

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

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

Gains and losses

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

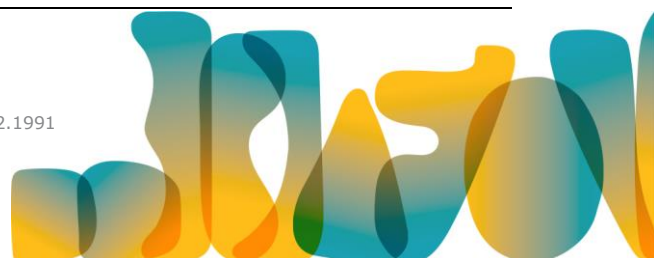
When a decrease of the fair value of a financial asset available for sale was recognized in other comprehensive income elements and there is objective evidence that the asset is depreciated, the cumulated loss that was recognized in other comprehensive income elements must be reclassified from equities 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

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



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

2.7 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 lease 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. The total of leasing stimulants benefits is recognised as a reduction of expenses with the rent linearly throughout the leasing period.

On 30.09.2020, Biofarm SA has no ongoing financial leasing contracts.

2.8 Real estate investments – IAS 40

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

- a. there is the possibility for future economic benefits associated to the real estate investment to flow to the entity;
- b. the cost of real estate investment can be 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 fair value of a real estate investment must reflect the market conditions at the end of the reporting period.

2.9 Inventories

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

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

Assessment of inventories:

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

Cost of inventories

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

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

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

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

Adjustments for the 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 stock, taking into account the expiry date, the possibility of use in the company's current activity and of other factors specific for each inventory category. Each depreciated asset is individually analysed. The accuracy of adjustments depends on future cash flows estimations.

2.10 Receivables

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

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

Adjustments for depreciation are recognised when there is objective proof (such as



significant financial difficulties from the partners or the failure to fulfil payment obligations or significant delay of payment) that the Company will not be able to cash all amounts due according to the terms of receivables, the amount of the respective adjustment being the difference between the net book value and the current value of future cash flows expected associated with the depreciated receivable.

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

2.11 Financial debts

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

2.12 Recognition of income and expenses

2.12.1 Recognition of income

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

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.

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

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

Assessment of income

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

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



- contract (contracts) identification with a client;
 - identification of execution contracts in a contract;
 - determining the transaction price;
 - allocation of the transaction price for the execution obligations;
 - recognition of incomes when (or as) the entity meets an execution obligation;
- Income classification will be realised in three large groups:
- **Operating income**, comprising: incomes from the sold production, from the sale of goods, operating grants related to net turnover, from inventory variation, from the fixed assets production, other operating income, from value adjustments on fixed assets, from value adjustments on current assets, from adjustments on provisions for risks and expenses.
 - **Financial income**, comprising: income from participating interests, from other financial investments and receivables that are part of fixed assets, from interests, other financial income, from the adjustment of the value of financial capital assets and financial investments held as current assets;
 - **Extraordinary income**.

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

The extended presentation of information will be provided, including disaggregation of total income, information on execution obligations, modifications of contractual balances of assets and liabilities accounts between periods, key judgments and estimates;

From the total income from the sales of finished products and goods of 2020, 98% were realised by six large distributors from the pharmaceutical market, the first 30%, the second 21%, the third 19 %, the fourth 15%, the fifth 7% and the sixth 6%.

2.12.2 Recognition of expenses

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

2.13 Depreciation of non-financial assets (excluding inventories, real estate investments and assets on deferred tax) – IAS 36 “Depreciation of assets”

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



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

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

2.14 Provisions – IAS37 "Provisions, contingent liabilities and contingent assets"

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

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

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

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

Provisions are recorded in accounting with the help of accounts from group 15 "Provisions" and is constituted based on expenditures, except for those 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 clients;
- 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 updated.



2.15 Employees benefits – IAS 19 Employees benefits

Current benefits granted to employees

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

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

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

2.16 Deferred tax - IAS 12

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

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

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

The recognition of assets on deferred tax is limited to those moments in which it is possible for the taxable profit of the following period to be available. The active deferred



tax corresponding to the depreciation at fair value of listed securities was not recognised.

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

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

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

2.17 Dividends

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

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

2.18 Capital and reserves

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

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

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

2.19 Financing costs

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

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

2.20 Earnings per share

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



2.21 Reporting on segments

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

2.22 Affiliated Parties

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

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

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

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

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

The company does not carry out transactions with entities described in letters (i) - (vii) above. The Company also adopted a << Policy on related party transactions and significant transactions >> available on the company's website in the Corporate Governance section - Policies subsection.



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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2.23 Modifications brought to the accounting policies

The following standards and amendments of the existing standards, issued by the Committee for International Accounting Standards (IASB) and adopted by the European Union (EU) *entered into force during the current period*:

Norm/Interpretation <i>[IAS 8.31 (a), 8.31(c)]</i>	Nature of imminent change of the accounting policy <i>[IAS 8.31 (b)]</i>	Possible impact on financial statements <i>[IAS 8.31 (e)]</i>
Amendments to IAS 1 "Presentation of Financial Statements", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" <i>(in force for annual periods beginning on or after 1 January 2020)</i>	The objective of the amendments brought to IAS 1 and IAS 8 standards is to clarify the definition of the "significant" term to facilitate the evaluation by enterprises of the significant character and to increase the relevance of the information presented in the notes to the financial statements.	The adoption of these amendments had no impact on the financial statements
Changes in the references to the general conceptual framework in IFRS standards <i>(in force for annual periods beginning on or after 1 January 2020)</i>	The objective of the modifications is to update the existing references to the previous frameworks, replacing them with references to the revised general conceptual framework, from several standards and interpretations (IFRS 2 "Share-based payment", IFRS 3 "Combinations of enterprises", IFRS 6 "Exploration and measurement of mineral resources", IAS 1 "Presentation of financial statements", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 34 "Interim financial reporting", IAS 37 "Provisions, contingent liabilities and contingent assets", IAS 38 "Intangible Assets", IFRIC 12 "Service Concession Commitments", IFRIC 19 "Settlement of Financial Liabilities with Equity Instruments", IFRIC 20 "Stripping costs in the production phase of a surface mine", IFRIC 22 "Foreign exchange transactions and advance payments", SIC 32 "Intangible assets – Costs associated with creating websites")	The adoption of these amendments had no impact on the financial statements
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: information to be provided" <i>(in force for annual periods beginning on or after 1 January 2020)</i>	The amendments provide for temporary and limited derogations from the provisions on hedge accounting set out in the standards: IAS 39, IFRS 9, IFRS 7.	The adoption of these amendments had no impact on the financial statements



3 Financial Instruments and Risks Management

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

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

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

Main financial instruments

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

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade payables and other payables

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

	Loans and receivables	
ASSETS	30-Sep-20	31-Dec-19
Commercial and assimilated receivables	75.459.988	87.379.723
Cash and cash equivalents	83.893.540	91.128.639
Total	159.353.528	178.508.362
		At amortised cost
DEBTS	30-Sep-20	31-Dec-19
Commercial and similar debts	18.900.970	31.620.253
Total	18.900.970	31.620.253

the risk as much as possible without unduly affecting Company competitiveness and flexibility.

The additional details on these policies are established below:

Credit Risk

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



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

Biofarm works only with distributors with national coverage in the pharmaceutical market and in direct sale to pharmacies, the payment is made upon delivery. In export sales, in all situations possible, the sale is contracted with pre-payment.

The period for the collection of receivables is in average at 120 days and is below the current level of the pharmaceutical market. Biofarm SA managed to permanently ensure the necessary of liquidities and high solvency and will try to continue to maintain the positive trend of the periods for the collection of receivables.

In 2020 to mitigate credit risk, the Board of Directors of Biofarm SA continued to ensure the company's receivables by the conclusion of a receivables insurance policy.

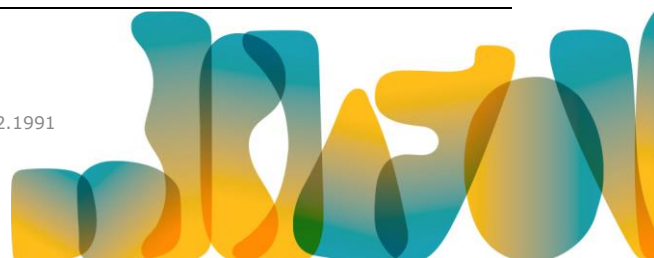
Foreign Exchange Risk

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

On 30 September 2020, the net exposure of the Company to the foreign exchange risk was as follows:

Receivables and cash/Net debts	30-Sep-20	31-Dec-19
LEI	71.272.715	97.719.695
EUR	32.871.842	6.734.055
USD	1.798	249
OTHER CURRENCIES	9.295	9.689
At the end of the period	104.155.650	104.463.688

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



Liquidity Risk

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

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

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

Bank Liquidities

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

Operational Risk

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

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

- Separation requirements of responsibilities, including the independent authorisation of transactions
- Transactions reconciliation and monitoring requirements
- Harmonisation to the regulation and legal requirements
- Documentation of controls and procedures
- Requirements for periodical analysis of the operational risk to which the Company is exposed and the adequacy of controls and procedures in order to prevent the identified risks
- Requirements for operational losses reporting and proposals for remediation of the causes that generated them
- Elaboration of plans of operational continuity
- Professional development and training
- Establishing ethical standards
- Prevention of litigation risk, including insurance, where necessary
- Minimising risks, including the efficient use of insurance, where necessary;



Capitals Adequacy

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

4 Income from the Contracts with Clients

The sales income includes the following elements:

Sales income	For the period concluded on	
	30-Sep-20	30-Sep-19
Sales of finished products	191.844.976	166.783.967
Sales of merchandise	751.841	1.703.546
IFRS 15 adjustment income	(3.132.342)	(4.627.703)
Income from the sale of waste	8.084	10.536
Commercial discounts	(35.680.923)	(28.354.389)
TOTAL	153.791.636	135.515.957

The turnover is realised mainly from the sale of finished products directly to pharmaceutical distributors (for the internal market) by the sale point from No. 202-232 Gura Badicului Street, Bucharest.

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

The share, from the point of view of the units sold (UC), of the three categories of products manufactured by Biofarm SA (food supplements, over-the-counter drugs and prescription drugs) is the following: food supplements (SN) have a share of 35% from the company's portfolio, over-the-counter drugs (OTC) have a share of 58%, from the company's portfolio, over-the-counter drugs (OTC) have a share of 7%.

from the company's portfolio, over-the-counter drugs (OTC) have a share of 2020 were in the amount of lei 3.031.575 (2019: lei 2.913.205).

5 Raw Materials and Consumables

Expenses with raw materials and consumables have the following structure:

Raw materials and consumables	For the period concluded on	
	30-Sep-20	30-Sep-19
Raw materials	19.646.480	17.997.219
Auxiliary materials	8.720.972	8.679.394
Merchandise	529.288	929.315
Inventory objects	375.176	87.462
Other consumables	284.380	119.254
TOTAL	29.556.296	27.812.644



6 Personnel Expenses

Personnel expenses have the following structure:

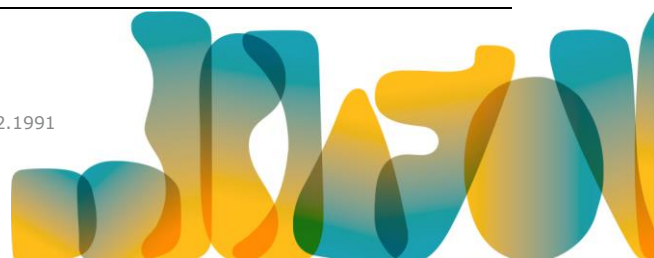
Personnel expenses	For the period concluded on	
	30-Sep-20	30-Sep-19
Wages	22.282.376	18.177.189
Civil contracts	4.555.541	3.781.498
Fees and social contributions	1.123.316	873.499
Other benefits	(1.352.066)	(730.792)
TOTAL	26.609.167	22.101.394

Commercial Companies, company management being ensured by the Board of Directors of Biofarm S.A. The structure of the Board of Directors and of the Executive Management is presented in Note 1. General information.

7 Other Operating Expenses

Other Operating Expenses include the following:

Other operating expenses	For the period concluded on	
	30-Sep-20	30-Sep-19
Utilities	3.154.254	3.455.401
Repairs	1.121.716	999.215
Rent	-	85.356
Insurance	571.114	1.010.078
Bank fees	28.646	44.582
Advertising and promotion of products	22.636.767	22.100.102
Travel and transport	317.656	654.796
Post and telecommunications	355.010	427.757
Other services provided by third parties	5.410.332	4.510.742
Other taxes and duties	1.761.513	2.622.505
Protocol	549.453	762.498
Expenses from disposal of assets	-	17.970
Losses and adjustments for doubtful receivables	568.622	(3.253.903)
Inventory adjustments	(1.805.009)	(290.382)
Donations and grants	1.515.462	571.109
Other operating expenses	838.748	1.150.211
TOTAL	37.024.284	34.868.037



8 Net Financial Income

The net financial income has the following structure:

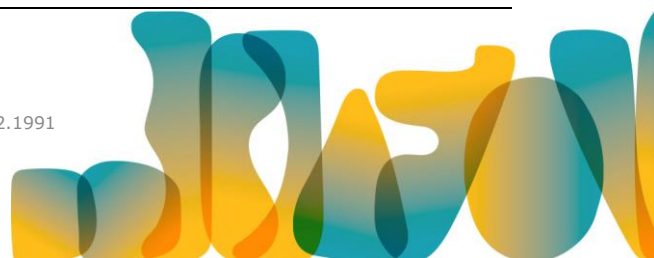
Net financial income/(costs)	For the period concluded on	
	30-Sep-20	30-Sep-19
Interest income	1.005.286	1.102.763
Interest costs	(4)	(9)
Other financial income	-	-
TOTAL	1.005.282	1.102.754

9 Corporate Tax Expenses

Tax expenses	For the period concluded on	
	30-Sep-20	30-Sep-19
Current profit tax expense	10.037.959	9.817.669
Deferred tax expense/(income)	138.367	440.570
TOTAL	10.176.326	10.258.239

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

Name of indicators	For the period concluded on	
	30-Sep-20	30-Sep-19
Incomes and items similar to incomes	168.230.532	150.426.982
Total expenses (without profit tax)	(112.640.650)	(100.453.382)
Accounting result	55.589.882	49.973.600
Deductions	(4.130.605)	(3.468.239)
Non-deductible expenses/income	23.320.691	18.159.982
Tax result	74.779.966	64.665.341
Profit tax (fiscal result x 16%)	11.964.795	10.346.455
Profit tax reductions calculated acc. to the legislation in force	(1.926.836)	(528.786)
Total profit tax	10.037.959	9.817.669



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year concluded on 30 September 2020
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10 Tangible Assets

COST	Lands	Buildings	Technical installations and machines	Other installations, machinery and furniture	Tangible assets under progress	Total
31 December 2018	5.534.297	11.694.584	70.816.371	1.868.059	86.582.632	176.495.944
Purchases	-	42.651.626	31.584.212	21.622	20.056.503	94.313.964
Outputs/ Transfers	-	-	2.262.173	42.379	74.257.460	76.562.012
Reassessments	-	-	-	-	-	-
31 December 2019	5.534.297	54.346.210	100.138.410	1.847.302	32.381.675	194.247.896
Purchases	-	4.167.113	3.682.473	168.695	13.838.008	21.856.288
Outputs	-	-	3.160.722	31.456	8.018.280	11.210.457
Transfers	-	(676.984)	676.984	-	-	-
Reassessments	-	-	-	-	-	-
30 September 2020	5.534.297	57.836.338	101.337.145	1.984.541	38.201.403	204.893.726
AMORTISATION AND ADJUSTMENTS						
31 December 2018	-	-	54.614.058	1.389.953	794.655	56.798.666
Depreciation adjustment 2018	-	2.647.669	2.905.912	-	-	5.553.581
Period cost	-	1.715.829	5.728.175	236.961	-	7.680.965
Outputs	-	-	2.197.245	42.379	-	2.239.624
Reassessments	-	-	-	-	-	-
31 December 2019	-	1.715.829	58.144.989	1.584.535	794.655	62.240.007
Period cost	-	1.977.064	5.680.998	130.219	-	7.788.281
Outputs	-	-	3.159.526	30.734	-	3.190.260
Transfers	-	(17.630)	17.629	-	-	-
Reassessments	-	-	-	-	-	-
30 September 2020	-	3.675.263	60.684.089	1.684.020	-	4.598.021
NET VALUES						
31 December 2018	5.534.297	9.046.915	13.296.400	478.107	85.787.977	114.143.697
31 December 2019	5.534.297	49.982.714	39.087.509	262.767	31.587.020	126.454.307
30 September 2020	5.534.297	51.513.408	37.747.144	300.521	37.406.748	132.502.118



Reassessment of fixed assets

Biofarm policy is to reassess the patrimony every 3 (three) years. The last assessment was done on 31.12.2018.

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

Description	Input value	Reassessed value 31.12.2015	Purchase 2016	Reassessed value 31.12.2018	Appreciation (Depreciation) 2018
Teren str. Drumul Gura Badicului, nr. 202-232 Bucharest	3.263.722	3.977.429	389.495	5.534.296	1.167.382

On 31.12.2019, Biofarm SA reassessed through Romcontrol SA the land from str. Iancu de Hunedoara nr. 40-42. According to the reassessment report, the land was reassessed at the value of lei 11.533.330. thus, an appreciation in the amount of 195.521 Lei was recorded as compared to the reassessed value of lei 11,337,809 on 31.12.2019 and is presented in Note 11. Real estate investments

The constructions being in the property of Biofarm SA were reassessed on 31.12.2018 as follows:

Explanations	Value
Value remained on 31.12.2018	12,346,137
Value reassessed on 31.12.2018	11,807,326
Total appreciation/depreciation 31.12.2018	(538,811)

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

Amortisation of fixed assets

The accounting amortisation is calculated using the linear method. For the new fixed assets, entered in 2020, such as installations, machines and measuring and control devices, the useful lives were established taking into account:

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



Decommissioning of fixed assets and constituted provisions

In the first nine months of 2020, no fixed assets were proposed for decommissioning.

Considering the plan for production relocation in the new factory, as well as other internal and external factors, the Company analysed the net accounting value recorded on the date of the balance sheet for depreciable tangible assets, in order to evaluate the possibility of the existence of their depreciation, which might attract the registration of an adjustment for depreciation. The company recorded an adjustment for the depreciation of the building and of the equipment from the Logofătul Tăutu location in the amount of lei 5,456,220.

Litigations and property rights for fixed assets

On 30 September 2020, the company did not hold any ownership title on the land in use from str. Logofat Tautu nr. 99.

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

In compliance with the provisions of GD No. 834/1991 art. 1, the company requested to obtain the certificate attesting the ownership right over the land, for the lands necessary for carrying out the activity according to the object of activity.

Financial leasing

In the first nine months of 2020, the company did not purchase fixed assets through contracts classified by financial leasing and does not have ongoing financial leasing contracts under progress anymore on 30.09.2020.

11 Real Estate Investments

The land owned by Biofarm SA in the Iancu de Hunedoara Street, Bucharest is considered a Real estate investment, not being used by the company for carrying out of the operating activity and not having an established destination. On 30.09.2020, the land was not reassessed.

	31-Dec-19	31-Dec-18	31-Dec-17
At the beginning of the period	11.337.809	10.586.636	10.534.802
Fair value modification	195.521	751.173	51.834
At the end of the period	11.533.330	11.337.809	10.586.636



12 Intangible Assets

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

	30-Sep-20	31-Dec-19
Cost		
Initial balance	3.483.578	3.461.385
Inputs	79.274	189.299
Outputs	12.738	167.106
Final balance	3.550.114	3.483.578
Amortisation/depreciation adjustments		
Initial balance	(2.643.807)	(2.103.941)
Period cost	(371.855)	(550.054)
Outputs	12.738	10.188
Final balance	(3.002.924)	(2.643.807)
Net value	547.190	839.771

13 Inventories

	30-Sep-20	31-Dec-19
Inventories		
Raw materials and consumables	27.509.003	11.543.155
Adjustments of raw materials and consumables	(495.662)	(1.953.042)
Production under progress and semi-finished products	1.727.199	2.082.698
Finished products	8.998.494	6.527.309
Merchandise	265.952	793.393
Adjustments	(356.476)	(704.106)
TOTAL	37.648.510	18.289.407



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year concluded on 30 September 2020

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

14 Trade and Other Receivables

Description	30-Sep-20	31-Dec-19
Trade receivables	91.768.189	102.728.069
Adjustments for trade receivables	(18.202.739)	(17.634.117)
Employees	(5.467)	(2.886)
Sundry debtors and other receivables	764.987	421.091
Adjustments for other receivables	(211.757)	(211.757)
Total financial assets others than cash, classified as loans and receivables	74.113.213	85.300.400
Interest to be collected	16.401	207.792
Other receivables from the State Budget	4.748.897	5.992.995
Advances	530.721	807.270
Accrued expenses	799.652	1.064.261
TOTAL	80.208.884	93.372.718

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 September 2020 promissory notes were received from customers amounting lei 14.661.241 (31-Dec-2019: 40.927.766; 31-Dec-2018: 17.282.227).

Seniority analysis	30-Sep-20	31-Dec-19
Receivables not yet due	62.695.417	84.849.120
Adjusted outstanding receivables:		
up to 3 months	10.658.276	10.660
between 3 and 6 months	-	-
between 6 and 12 months	-	-
over 12 months	-	440.620
TOTAL	73.353.693	85.300.400

On 30 September 2020, the Company has adjustments recorded for trade receivables representing customers' balance which is unlikely to be received by the company anymore in the amount of lei 18.202.739 lei.



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year concluded on 30 September 2020

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

Customer adjustments and other receivables	30-Sep-20	31-Dec-19
At the beginning of the period	17.845.807	22.607.093
Constituted during the year	1.155.594	257.494
Adjustments cancellation	586.972	(5.018.780)
At the end of the period	18.414.429	17.845.807

According to IFRS 9, the company analysed the balances of all customers and decided to establish a depreciation adjustment in the amount of lei 1.155.594. representing the balances of some customers that are unlikely to be collected by the company, and an adjustment of provisions in other currencies in the amount of lei 122.144.

15 Cash and Cash Equivalents

Cash and cash equivalents	30-Sep-20	31-Dec-19
Cash in bank	39.091.061	12.249.251
Cash and cash equivalents	9.881	4.769
Deposits	44.792.598	78.874.619
Sundries	-	-
TOTAL	83.893.540	91.128.639

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

In 2020, there were no significant non-cash transactions with third party natural or legal persons.

Considering the external purchases of raw materials and equipment, in order to reduce the impact of exchange rate fluctuations, the company management decided for some of the cash in RON to be converted into other currencies.

16 Commercial Debts and Other Debts

Commercial debts and similar	30-Sep-20	31-Dec-19
Commercial debts	20.111.944	36.706.704
Suppliers of assets	1.552.876	695.943
Debts in relation to employees	709.636	862.997
Other debts	6.665	84.717
Total debts less loans, classified as measured at an amortised cost	22.381.121	38.350.361



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year concluded on 30 September 2020

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

Taxes and social contributions	2.980.462	1.589.025
Other tax debts	147.113	248.779
Guarantees for suppliers	1.454.910	1.512.848
Dividends	3.921.184	12.856.523
Advances	434.477	(15.032)
TOTAL	31.319.267	54.542.504
IFRS 15 advance income	28.627.507	25.495.165
	59.946.774	80.037.669

Commercial debts and similar in the long term	30-Sep-20	31-Dec-19
Provisions	606.998	606.998
Total	606.998	606.998

17 Leasing

Operational Leasing

The company has no operational leasing contracts concluded on 30.09.2020.

18 Deferred Profit Tax

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

Description	30-Sep-20	31-Dec-19
Initial balance	(4.991.402)	(4.323.910)
Deferred tax costs / (income)	138.368	(667.492)
Final balance	(4.853.036)	(4.991.402)



19 Provisions

The variation of provisions is presented in the following table:

Salaries provisions	Obligations for leaves not taken and other amounts related to the salary	Provisions for pensions (actuarial calculation)	Total
31 Dec 2018	3.846.979	448.964	4.295.943
Incorporations during the period	4.967.108	158.034	5.125.142
Uses during the period	(3.846.980)	-	(3.846.980)
31 Dec 2019	4.967.107	606.998	5.574.105
Incorporations during the period	3.148.550	-	3.148.550
Uses during the period	(4.500.616)	-	(4.500.616)
30 Sep 2020	3.615.041	606.998	4.222.039

The amount constituted as a salary provision at the end of the 3rd quarter of 2020, represents the equivalent value of the days of annual leave afferent to 2020 not taken by the company's employees until 30.09.2020, as well as salary bonuses that shall be paid to the company's employees, to the sales marketing team, as well as to the management team, executive management of Biofarm SA for the activity performed in 2020.

20 Share capital

The subscribed share capital of the company on 30 September 2020 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.

21 Information on the Repurchase of Own Shares

Following the increase of share capital by incorporating the profit corresponding to 2006, a number of 8,126 shares remained, which could not be redistributed according to the allocation rate. These shares were allocated to the company by the Depozitarul Central. On 30.09.2020, Biofarm SA holds 8,126 own shares.



22 Reserves

Reserves include the following components:

Reserves	30-Sep-20	31-Dec-19
Fixed assets revaluation reserves	1.967.642	1.967.642
Legal reserves	19.707.507	19.707.507
Other reserves	3.642.931	82.206.891
TOTAL	25.318.080	103.882.040

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

Reserve	Description and purpose
Fixed assets revaluation reserves	If the accounting value of a tangible asset is increased as a result of revaluation, then the increase must be recognised in other comprehensive income elements and cumulated in equity, with title of reassessment surplus. Reassessment reserves cannot be distributed and cannot be used at the share capital increase.
Legal reserves	According to Law 31/1990, each year at least 5% is taken from the profit for the formation of the reserve fund, until it reaches minimum the fifth part of the share capital. On 31 December 2019, legal reserves were constituted in the amount of lei 1,445,960 with which the threshold of at least a fifth of the share capital was reached.
Other reserves	Other reserves on 30 September 2020 include reserves constituted for tax relief.



23 Retained Earnings

Retained earnings include the following components:

Description	30-Sep-20	31-Dec-19
Retained earnings coming from the adoption for the first time of IAS, less IAS 29	2.363.952	2.363.952
Retained earnings coming from the transition to the IFRS application, less IAS 29	443.006	443.006
Retained earnings coming from the application of IFRS 15	(11.327.184)	(11.327.184)
Retained earnings surplus reassessment result	31.752	31.752
Retained earnings coming from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost	14.037.338	14.037.338
Reclassification from Other reserves *	78.563.960	-
2019 profit distribution, incl. non-distributed dividends	29.492.479	-
TOTAL	113.605.303	5.548.864

* According to the OGMS of 28.04.2020, the reclassification of the amount of Lei 78.563.960 was decided, from the "Other reserves" category to the "Retained earnings" category for a more accurate presentation of the capital structure component of Biofarm SA.

24 Current Profit Distribution for 2020

On 30.09.2020, Biofarm company has a number of 985.375.350 issued shares. The net profit distribution will be approved by the Ordinary General Meeting of Shareholders.

25 Contingent Debts

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

26 Commitments

The company has no debts to the credit institutions.

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

27 Information on the Audit of Financial Statements

The financial statements of the period concluded on 30.09.2020 are not audited.



The financial audit for the fiscal year 2020 that will be realised on 31.12.2020 will be carried out by BDO Audit SRL.

28 Subsequent Events

Based on the information we own until now, the ownership structure did not significantly modify until the date of issuing these financial statements and neither did other significant events subsequent to the conclusion of the financial year occurred, except for COVID-19.

BIOFARM S.A. company adopted together with the occurrence of COVID-19 all the necessary measures to comply with the recommendations formulated by the authorities in order to prevent/limit the spreading of COVID-19 and takes all steps for the information dissemination to be carried out correctly, completely and within the legal conditions.

Biofarm responds to the challenges brought by the wave of illnesses with COVID-19 according to the principles and values assumed by the company and continues its activity in order to cover the requests of our clients. Through a responsible behaviour, the company took and will take all the measures necessary for its employees to be safe, and for patients to not feel an additional stress related to the treatment they follow.

Due to the fact that the medical conditions of Romanian patients remain the same during the pandemic and their treatments cannot be postponed, Biofarm took all the measures for the company activity to be carried out without syncope. In this respect, Biofarm has made sure that it has the necessary inventories of raw materials in order for the production flow to be carried out in the usual way.

Biofarm understands and complies with the decisions made by the Romanian authorities to limit the spread of SARS-CoV-2 virus, as such, company representatives are constantly informed about these decisions and put them into practice. Therefore, in order to comply with the repeated request of the authorities for social distancing, part of the company employees carry out and will carry out their activity from home during the pandemic. Employees who are involved in the manufacturing processes (directly and indirectly productive), on which the actual production depends, comply with the work program adapted to the de facto situation.

During this period, we support the decisions made by the sanitary authorities, we follow their recommendations carefully and we applied inside the company a series of additional measures for the safety of our colleagues.

Approved by the Board of Directors on 9
November 2020 and signed on his behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Claudia Matei
Chief Accountant



