

2023 1st Quarter Report

Translation of the Company's 1 st quarter report issued in the Romanian language



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DIRECTORS' REPORT
BIOFARM SA for the 1st quarter of 2023
Report according to: F.S.A. Regulation No. 5/2018 - Annex 15

For the first quarter of: **2023**

Date of the report: **31.03.2023**

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

Registered office: **Bucharest, Str. Logofătul Tăutu, Nr. 99, Sect. 3**

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

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

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

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

Subscribed and paid-up share capital: **lei 98.537.535**

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

1. Analysis of the Commercial Company Activity

Description of the basic activity of the commercial company:

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

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

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

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

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

BIOFARM is constantly concerned with implementing and improving the customer-oriented integrated quality and environmental management system, which complies with the requirements of the ISO 9001:2015, ISO 14001:2015 standards.

In the first quarter of 2023, Biofarm company, as a result of the audit carried out by the certification body SRAC - IQNet partner, obtained the certificate RO - 0187/17.03.2023, which proves once more that Biofarm has implemented and



maintains a quality management system in accordance with the requirements of the ISO-13485:2016 standard for medical devices.

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

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

The shareholding structure on 31.03.2023 was the following:

Shareholder	Shares	Percentage (%)
S.I.F. Muntenia S.A., Bucharest locality, 2 nd District	508,231,323	51.5774
Lion Capital S.A., Arad Locality, Arad County	362,096,587	36.7471
Natural persons	100,571,492	10.2064
Legal persons	14,475,948	1.4691
Total	985,375,350	100

Specification of the date of establishment of the commercial company;

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

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

On 31.03.2023, the company had the following working points:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, tax identification number 14008268;
- Bucharest, str. Drumul Gura Badicului, nr. 202-232, sector 3, tax identification number 30037915.

1.1. General Assessment Elements:

Market share held:

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

In the more than 100 years of uninterrupted activity, Biofarm has always focused on aligning with market requirements and patients' needs, being a company that is always oriented towards innovation and facilitating access to modern treatment solutions.

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

In the first quarter of 2023, Biofarm S.A. has strengthened its position on the market and adapted to the new conditions so as to be closer to consumers.



Biofarm S.A. occupied in the first quarter of the current year the 2nd place¹ on the Consumer Healthcare (CHC) segment, in terms of the number of sold units. With over 20 representative brands, Biofarm is the market leader in terms of volumes in the reference categories of six of its brands: Colebil, Triferment, Carmol solutie, Bixtonim solution, Extravalerianic and Sennalax.

In terms of value, Biofarm has consolidated its sales to the final consumer, registering a 20% increase as compared to 2022, in relation to the purchase price in pharmacies.

In the first quarter of 2023, 3 new products were launched on the market, Nonflatin, in the bloating category, and another 2 products in the range Bioland - Bioland Ginkgo Biloba and Bioland Ginkgo Biloba + Mg.

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

The net sales revenues in the first quarter of 2023 were of lei 95,840,271, increasing by 26% as compared to the same period of 2022.

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

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

Operating expenses	For the period concluded on	
	31 March 23	31 March 22
Raw materials and consumables	14,213,233	11,890,112
Personnel expenses	12,817,355	10,998,412
Amortisation	4,125,333	3,853,085
Other operating expenses	22,889,857	17,311,252
Total	54,045,778	44,052,861

The net operating result for the first quarter of 2023 is increasing by approximately 21% as compared to the similar period last year, while the net profit of the company recorded an increase of approximately 19%.

The profit tax expense in the first quarter of 2023 was in the amount of lei 8,347,484 as compared to lei 5,453,354 recorded during the similar period of 2022.

Liquidity and money available in the account

On 31 March 2023, the general liquidity rate was of 3.44, increasing as compared to the previous year mainly due to the increase of current assets. Cash availability on 31 March 2023, according to the balance sheet, represents money deposited into current bank accounts or in deposit accounts with Romanian banks.

¹ In accordance with the Cegedim data, afferent to the first quarter of 2023.



1.2. Assessment of the Technical Level of the Commercial Company

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

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

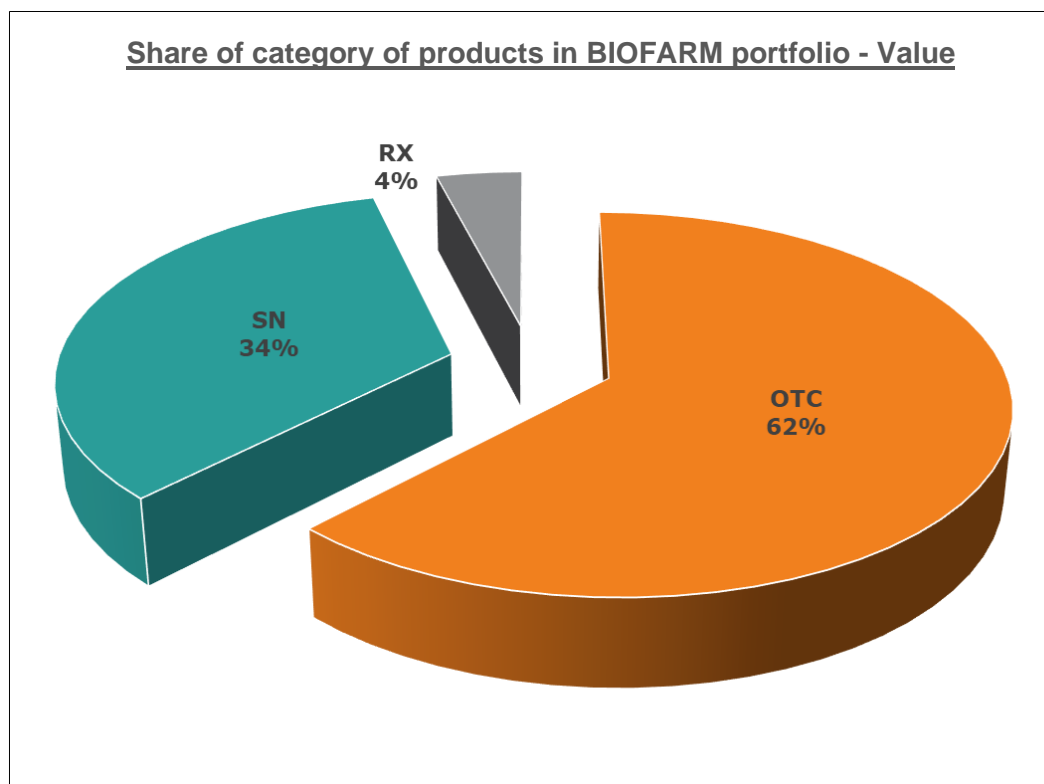
The sales of Biofarm S.A. products are mostly made to 6 internal distributors, this segment representing approximately 98% of the total Biofarm sales both in volume and in value.

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

Thus, Biofarm S.A. owns a 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 Biofarm products portfolio among specialists and consumers.

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

The share, in (RON) value, of the three categories of products manufactured by Biofarm SA over-the-counter drugs ("OTC"), food supplements ("SN") and prescription drugs ("RX") is the following: over-the-counter drugs (OTC) have a share of 62%, food supplements (SN) have a share of 34% from the company portfolio, and the share of prescription drugs (RX) is of 4%.



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

The main focus consists in supporting the strategic 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 stage of development of each brand and the potential of the category in which it operates.

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

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

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

The main objectives of the supply activity were:

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

The main suppliers of raw materials and packaging were re-evaluated in order to ensure the best possible added value for the company, a quality-price ratio being thus obtained, but also the optimal payment conditions for the company. Additionally, Biofarm identified a series of new alternative manufacturers with whom we will start the collaboration after receipt of the necessary approvals from the relevant authorities.

1.4. Evaluation of the Sales Activity

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

The turnover achieved by Biofarm S.A. in the first quarter of 2023 from the sale of finished products and goods was worth lei 95,840,271. This turnover is realised mainly from sales of end products and merchandise directly to the main pharmaceutical distributors (for the internal market) through the outlet of str. Drumul Gura Badicului nr. 202-232, sector 3, Bucharest.

In the first quarter of 2023, the share of export sales represented approximately 2.94% of Biofarm S.A.'s total net sales. The company's products were exported to 4 countries: Albania, Azerbaijan, Republic of Moldova and Iraq.



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

The pharmaceutical industry has recently faced significant challenges as a result of the increase in the prices of energy, fuel and raw materials. At the same time, in the first three months of 2023, the market revealed the lack of products intended for the treatment of cold and flu symptoms as well.

The manufacturers had to find various solutions in order not to encounter problems in the delivery of drugs: the creation of safety stocks or the placing of orders in advance for the necessary products.

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

In the existing market context, Biofarm S.A. made sure that it has the necessary stocks of raw materials and packaging materials for the following period. Thus, the company ensured its normal flow of production and distribution of manufactured products, managing to contribute to covering the shortage of products on the cold and flu market. Care and respect for consumers and Biofarm S.A. team are values we believe in and every time we have shown that these principles are confirmed by concrete facts.

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

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

In the first quarter of 2023, had contracts concluded with a number of 6 distributors on the market of drugs and natural supplements, which generated a total of approximately 98% of the turnover.

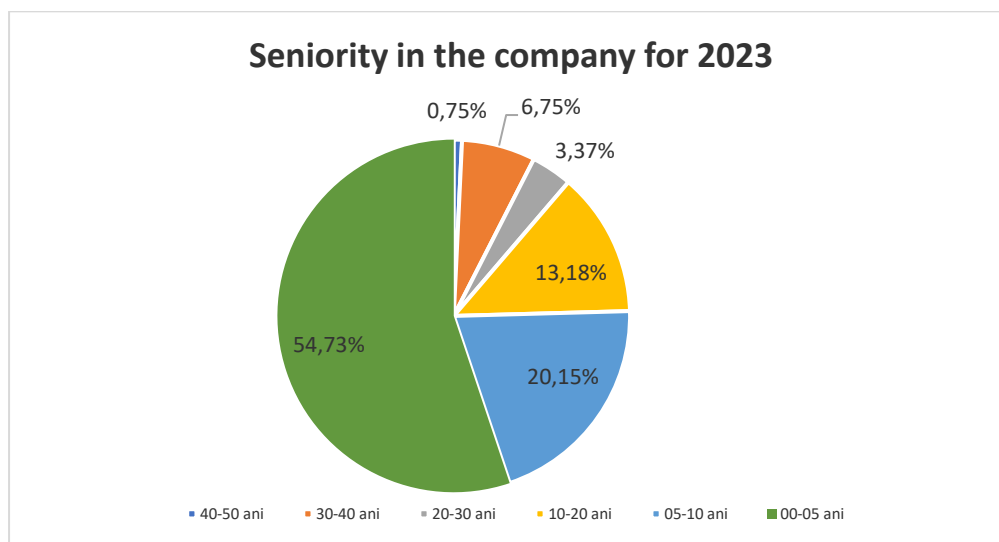
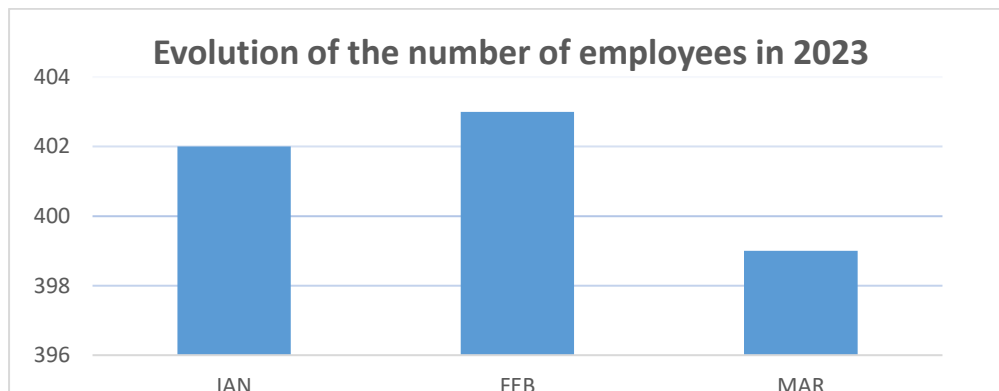


1.5. Assessing the aspects related to the employees/personnel of the commercial company

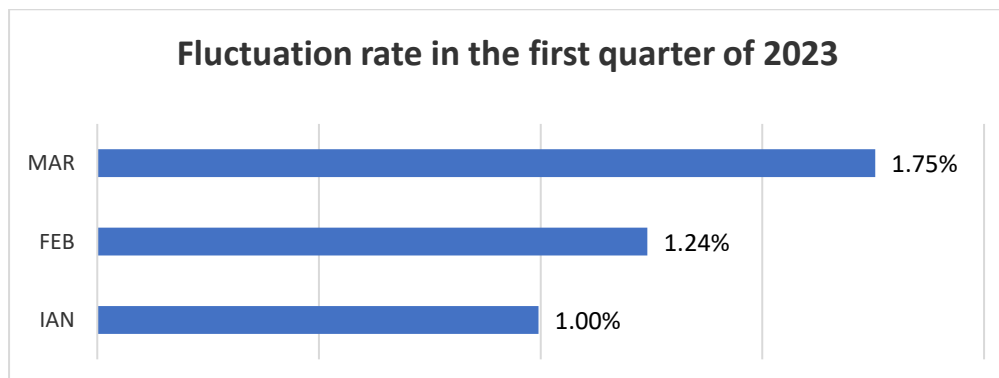
In the first quarter of 2023, Biofarm S.A. had an average number of 401 employees.

General Information

Personnel demographic indicators:



Ani-years



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

The recruitment and the selection process continues to be a priority during 2023 as well, in line with the company's mission, vision and values, and has as a final purpose the attraction of new employees to strengthen the company's organizational structure. The main challenge remains, further, to identify candidates with experience in the pharmaceutical market, suitable for the available roles. In order to be able to manage these challenges, the Human Resources Department has various resources and options at its disposal, so as to reach as many candidates as possible, to meet as many people as possible in interviews, in order to identify "the right person at the right place".

2. Training and Development

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

3. Future Directions of Action

The Human Resources Department is a strategic partner for the company, which contributes to the achievement of organizational objectives and to the increase of employee performance through the permanent improvement of human resources processes and policies, and by adapting to the trends of the business environment in which we operate.

For performance, it is necessary to keep key employees and at the same time to attract candidates who can easily integrate into our team and together contribute to a safe working environment and a healthy organizational culture that ensures all the prerequisites for exceptional results. The learning programs play an important part in 2023 as well, contributing to the permanent development of our employees.

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

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

4. Aspects regarding Occupational Safety and Health

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



Information and training of workers:

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

Microclimate:

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

Internal inspections:

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

Occupational medicine coordination:

- ✓ The collaboration with the specialized medical services was continued for the implementation of the medical supervision program upon employment and periodically, for the entire personnel;
- ✓ The monitoring of health and of the work capacity of employees was maintained, for preventive and corrective purposes, by the performance of periodic analyses;
- ✓ Specialized monitoring was performed for the mentions in the skills assessment reports.
- ✓ All these measures emphasize the permanent involvement of the management and of the Internal Prevention and Protection Service.

Events reported in the first quarter of 2023:

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

5. Aspects related to Emergency Situations

Fire protection is an activity of public, national interest, with a permanent character, to which in which the Central and Local Public Administration Authorities are obliged to participate, under the law, as well as all natural persons and legal persons being on the territory of Romania. It represents the integrated set of specific activities, measures and organizational, technical, operational, humanitarian and public information tasks, planned, organized and carried out according to law, in order to prevent and reduce the risks of fires and ensure operational intervention to limit and extinguish fires, in order to evacuate, rescue and protect the endangered persons, to protect the goods



and the environment against the effects of the emergency situations determined by fires.

Fire protection has been a permanent concern of Biofarm S.A., meaning that a number of steps have been taken:

- ✓ Implementation of legal provisions;
- ✓ Fulfilment of the measures established following internal controls;
- ✓ Analysis and operative removal of deficiencies that have manifested themselves in the field of fire protection;
- ✓ Ensuring the equipment, quality and operation of technical means of fire protection;
- ✓ Establishing measures for activity improvement;

Fire drills and checks were carried out at both locations, both at the company office in Bucharest, Logofățul Tăutu nr. 99, and at the working point in Bucharest, Str. Drumul Gura Bădicului nr. 202-232.

The authority and specific documents for fire protection have been updated, according to the provisions of art.19 of Law 307/2006 and art.17-18 of the Order of the Ministry of Administration and Interior no. 163/2007 regarding:

- ✓ Provisions for personnel appointment with responsibilities in the field;
- ✓ Organising the training of the employed personnel;
- ✓ Organising fire protection;
- ✓ Smoking and open fire regulation;
- ✓ Fire protection instructions;
- ✓ Planning the execution of own controls in the field of fire protection;
- ✓ The fire extinguishing installation is checked periodically;
- ✓ The complete endowment with fire extinguishers (P6 and P2) is ensured and they are checked periodically;
- ✓ Training in the field of Emergency Situations is provided according to the legal provisions.

Measures were taken to establish the private service for emergency situations, at the headquarters in Logofățul Tăutu No. 99, according to art. 19, letter j) of Law No. 307/2006 with art. 37, letter h) from Order No. 75/2019.

Authorizations/Approvals:

On 11.01.2021 the Fire Safety Authorization No. 554/20/SU/B-IF-AUZ was obtained, issued by the Ministry of Internal Affairs, the Inspectorate for Emergency Situations, authorization certifying the implementation of the Fire Safety measures for the production and storage hall, located in Bucharest, Sector 3, Str. Gura Bădicului nr. 202 - 232.

Starting with 23.11.2021, the Fire Safety Notice no. 289/21/SU-BIF-A-SI was issued for the production, storage and office spaces located in Bucharest, str. Logofățul Tăutu nr. 99, Sector 3.

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

In the first quarter of 2023, the organization's continued interest and concern for environmental protection activities was maintained in order to minimize the impact on



environmental factors, which allows the management to identify and control the impact of all the activities, products or services provided.

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

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

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

A. Renewal, Updating and Maintenance of Related Documents:

Biofarm S.A. has obtained the renewal/endorsement of licenses/related authorisations as well:

- Maintaining the License for operations with classified substances category I no.109/1067940 from 18.01.2021 and valid until 17.01.2024. The license covers the activities carried out both at the office in Bucharest, str. Logofătul Tăutu, nr. 99, and at the working point of Bucharest, str. Drumul Gura Bădicului, nr. 202-232;
- Maintaining the Authorisation for the activity with narcotic and psychotropic substances and preparations for the purpose of research No. 39Csp/2021, valid for 5 years;
- The submission by the Agency for Environmental Protection Bucharest of the Documentation by which the visa is applied for the period 14.06.2023-14.06.2024 for the Environmental Authorisation No. 315/14.06.2021, for the activity carried out at the working point in Str. Drumul Gura Bădicului, nr. 202-232, sector 3 Bucharest;
- Maintenance of the Environmental Authorisation No. 542/25.11.2019, for the activity carried out at the work point in Str Logofatul Tautu, nr. 99, sector 3 Bucharest;
- Maintenance of the Water Management Authorisation No. 694/B of 06.12.2021 for the working point of Bucharest, str. Drumul Gura Bădicului, nr. 202-232 valid until December 2026;
- Maintenance of the Sanitary Operation Authorisation for the drilling from the working point in str. Logofatul Tautu, nr. 99, sector 3, Bucharest;



- Submitting the documentation to the Public Health Directorate - Bucharest to obtain the sanitary operating authorisation for the drilling at the working point in str. Drumul Gura Badicului, nr. 202-232, sector 3, Bucharest.

In the first quarter of 2023, the contract of transfer of responsibility for the recovery from the market of packaging (packaging waste) 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. The packaging placed on the market were declared with the Environmental Fund Administration and a fee of 2% was paid to the Environmental Fund Administration from the value of the substances classified by normative acts as being dangerous for the environment, purchased from imports.

B. Meeting the Imposed Monitoring:

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

C. Environmental Protection Measures, Endowments and Arrangements:

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

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

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

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

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

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

All waste generated by the company's activity in both working points were classified and coded according to the: [Directive 2008/98/EC](#) of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives, as further



amended and supplemented and selectively collected on categories and of the Commission Decision 2014/955/EU.

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

The entire waste generated at company level in both working points were temporarily stored in a warehouse with separate spaces for all the categories of waste (recyclable, hazardous, non-hazardous waste, WEEE)/ containers for hazardous, non-hazardous and recyclable waste and prepared from the point of view of final packaging for their delivery for recovery or final disposal, to authorized economic operators, based on the contracts concluded with them.

In the first semester of 2022, we continued to selectively collect the main types of recyclable waste (paper, plastic, glass).

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

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

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

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

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

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

1.7. Evaluation of the Research and Development Activity

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

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

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

In what concerns the EXPORT activity, 2 new certificates were registered for food supplements and 2 MAs. Currently, Biofarm company has a portfolio of 54 drugs, 6 medical devices (3 internal + 3 external) and 221 food supplements (entirely notified until now).



1.8. Evaluation of the Activity of the Commercial Company regarding Risk Management

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

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

Credit Risk

Credit risk is the risk 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 collection period of net receivables is, on average, of 113 days. Biofarm SA managed to permanently provide the necessary liquidity and solvency at high rates and will try to maintain the positive trend of the debt collection periods.

In the first quarter of 2023, to reduce the credit risk, Biofarm S.A. continued the insurance of the company's claims by concluding an insurance policy.

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 production equipment 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 SA of the current means and of financing expenses and reimbursements of the principal amount for its credit instruments.



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

At the end of the first quarter of 2023, 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:

CAPITAL PROFITABILITY AND RETURN	31 March 23	31 March 22
Efficiency of available capital		
Profit before interest and tax (A)	38,553,092	31,761,974
Available capital (B)	412,526,500	360,055,572
A/B	9.35%	8.82%
Equity efficiency		
Net profit (A)	31,635,807	26,619,932
Equity (B)	411,691,379	359,407,249
A/B	7.68%	7.41%
Operational profit rate		
Profit before interest and tax (A)	38,553,092	31,761,974
Operating income (B)	92,598,870	75,814,835
A/B	41.63%	41.89%
Net profit rate		
Net profit (A)	31,635,807	26,619,932
Total income (B)	94,029,069	76,126,147
A/B	33.64%	34.97%
Total assets rate		
Profit before interest and tax (A)	38,553,092	31,761,974
Total assets (B)	501,594,569	438,678,004
A/B	7.69%	7.24%
SOLVABILITY		
	31 March 23	31 December 22
Debt rate		
Total obligations (A)	89.903.190	86.480.516
Total assets (B)	501.594.569	466.536.087
A/B	17,92%	18,54%
Rate of financial autonomy		
Equity (A)	411.691.379	380.055.571
Total assets less net current debts (B)	412.526.500	380.890.692
A/B	99,80%	99,78%



LIQUIDITY AND WORKING CAPITAL

	31 March 23	31 March 22
General liquidity rate		
Current assets	306.568.121	251.861.604
Current obligations	89.068.069	78.622.432
(A/B)	3,44	3,20
Rapid liquidity rate		
Current assets	306.568.121	251.861.604
Inventories	52.876.317	36.566.400
Current obligations	89.068.069	78.622.432
(A-B)/C	2,85	2,74
Client collection period		
Net trade receivables (A)	120.048.137	91.005.179
Net turnover (B)	95.840.271	75.836.309
(A/B)*90 days	113	108
Period of inventory immobilization		
Inventories of end products and merchandise (A)	41,950,917	52,575,065
Net turnover (B)	95,840,271	75,836,309
(A/B)*90 days	39	62
Period for suppliers' payment		
Suppliers (A)	38,752,780	36,197,110
Material and external expenses (B)	44,037,250	34,749,625
(A/B)*90 days	79	94

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

On 31 March 2023, the situation of fixed assets held by Biofarm S.A. is presented as follows:

TANGIBLE ASSETS	31 March 23	31 December 22
Lands and constructions	68,093,772	67,921,504
Technical installations and machines	64,310,113	66,571,085
Other installations, machinery and furniture	1,828,842	1,825,222
Tangible assets under execution	36,999,291	34,613,040
TOTAL	171,232,018	170,930,851

In the first quarter of 2023, the value of acquisitions of tangible assets was of lei 4,544,612.

Tangible assets, respectively "Tangible assets under execution" increased due to contraction, in the first part of 2023, of production equipment necessary to increase the production capacity in Bucharest, str. Drumul Gura Bădicului nr. 202-232, sector 3.



2. Tangible Assets of the Commercial Company

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

The policy of Biofarm S.A. is to reassess the patrimony every 3 (three) years. The re-evaluation of lands being in the company patrimony was carried out by Romcontrol S.A., member of the National Association of Authorised Romanian Valuers (ANEVAR) on 31 December 2021

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

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

Also, the flows located in Bucharest, str. Drumul Gura Bădicului, nr. 202-232, sector 3 were authorised:

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

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

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

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

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

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

In 2022, the packaging of all drugs that are subject to Regulation EU 2016/161 of the Commission of 02.10.2016 supplementing Directive 2001/83 / EC of the European Parliament (released with prescription) on the three packaging lines continued:

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

Investment in the New Factory

In the first quarter of 2023, the installation works continued (utilities connection: technological steam, chilled water, sewerage, purified water).



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

Also in the first quarter of 2023, the project for the liquid preparation line, from the new factory continued.

The qualification process for the purchased equipment and systems, as well as process validations were also continued.

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

On 31 March 2023, did not have an ownership title over the and in use of Bucharest, str. Logofățul Tăutu nr. 99, sector 3.

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

In compliance with the provisions of the G.D. No. 834/1991 Art. 1, the company requested to obtain the certificate attesting the ownership right over the land for all the lands necessary to carry out the activity according to the activity object.

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

3. Market of Securities Issued by the Commercial Company

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

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

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

Profit distribution on 2021

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

Dividends	23,649,008	39%
Retained earnings	36,706,761	61%
Net profit 2021	60,355,769	100%

Profit distribution on 2022

On 31.12.2022, Biofarm S.A. recorded a net profit in the amount of lei 70,917,262, which is proposed for distribution as follows:

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



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

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

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

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

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

Biofarm S.A. did not issue bonds or other debt securities during the 1st quarter of 2023.

4. Management of the Commercial Company

The composition of the Board of Directors was the following:

- The Board of Directors of BIOFARM S.A. during the period 01.01.2023 – 31.03.2023 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman
 - Bogdan Alexandru DRĂGOI – B.D. Member
 - Nicușor Marian BUICĂ – B.D. Member
 - Cătălin Constantin VICOL – B.D. Member
 - Rachid EL LAKIS – B.D. Member



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	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-Crişana, General Manager



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



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

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

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

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

N/A.

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

Andrei Hrebenciuc – B.D. Chairman	5,000
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The related parties with which the company carried out its activity during the 1st Quarter of 2023 are presented in Note 29 to the Financial Statements.



5. Financial – Accounting Statement

5.1. Assets, Liabilities and Equity Statement

Description	-Lei-	
	31 March 23	31 December 22
Fixed assets	195,026,448	192,555,981
Current assets	306,568,121	273,980,106
TOTAL ASSETS	501,594,569	466,536,087
Current debts	89,068,069	85,645,395
Long-term debts	835,121	835,121
TOTAL DEBTS	89,903,190	86,480,516
NET ASSETS	411,691,379	380,055,571
Share capital and reserves	31 March 23	31 December 22
Share capital	98,537,535	98,537,535
Own shares	(813)	(813)
Premiums related to the issue/redemption of own shares	(173,154)	(173,154)
Revaluation reserves	3,718,507	3,718,507
Reserves	23,350,438	23,350,438
Retained earnings	254,623,059	183,705,796
Current result	31,635,807	70,917,262
Profit distribution	-	-
TOTAL CAPITALS	411,691,379	380,055,571



5.2. Income and Expenses Statement

Description	-Lei - For the period of 3 months concluded on	
	31 March 23	31 March 22
Income from sales	95,840,271	75,836,309
Other operating income	73,492	12,064
Changes in inventories	(3,314,893)	(33,538)
<i>Total operating expenses</i>	(54,045,778)	(44,052,861)
Operating profit/(loss)	38,553,092	31,761,974
Net financial income/(costs)	1,430,199	311,312
Profit before tax	39,983,291	32,073,286
Expenses with taxes	(8,347,484)	(5,453,354)
Net profit	31,635,807	26,619,932

5.3. Cash flow:

Description	-Lei- For the period of 3 months concluded on	
	31 March 23	31 March 22
Initial balance	82,713,880	103,865,018
Cash within the basic activity	42,100,597	21,448,172
Cash within the investments activity	(3,336,852)	(11,110,124)
Cash within the financing activity	(20,959)	(24,594)
Final balance	121,456,666	114,178,472



6. Quarterly Report on Corporate Governance

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

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

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

6.1. Corporate Governance Structures

6.1.1. General Meetings of Shareholders

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

According to the Decision of the General Meeting of Shareholders No. 68/24.04.2012, the procedure to carry out the General Meetings of Shareholders was approved. The procedure to carry out the G.M.S. shall be modified or supplemented, as appropriate, with the legislative provisions in force on the date of each General Meeting of Shareholders individually. If there are differences between the provisions of the procedure and the applicable legislation, the legislation in force shall be applied.

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

6.1.2. 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. are:

- The Board of Directors of BIOFARM S.A. during the period 01.01.2023 – 31.03.2023 was composed of:
- Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent

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

- Andrei HREBENCIUC – elected for the first time in 2013 (by the GMS Decision No. 70/06.11.2013), re-elected for consecutive mandates of 4 years in 2017 (by the O.G.M.S. Decision No. 77/07.11.2017) and in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);



- Bogdan Alexandru DRĂGOI – provisionally appointed by the Board of Directors in 2015 (by the BD Decision No. 167/10.12.2015) and confirmed in position in 2016 (by the GMS Decision No. 75/29.04.2016), re-elected for consecutive mandates of 4 years in 2017 (by the O.G.M.S. Decision No. 77/07.11.2017) and in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);
- Nicușor Marian BUICĂ – provisionally appointed by the Board of Directors in 2020 (by the B.D. Decision No. 5/18.09.2020 starting from the same date), elected in 2021 (by the G.M.S. Decision No. 83/26.04.2021) for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);
- Cătălin Constantin VICOL – provisionally appointed by the Board of Directors in 2018 (by the B.D. Decision No. 209/06.12.2018) and confirmed in the position in 2019 by the G.M.S. Decision No. 79/23.04.2019) for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);
- Rachid EL LAKIS – chosen in 2019 (by the G.M.S. Decision No. 80/11.12.2019), for a period equal to the difference of mandate that remained to be executed by the Board of Directors in operation. He was elected for a mandate of 4 years in 2021 (by the O.G.M.S. Decision No. 84/04.11.2021);

During the 1st Quarter of 2023, the Chairman of the Board of Directors of Biofarm S.A. **convened 2 times the members of the Board of Directors**. The members of the Board of Directors attended the meeting in person, by telephone or e-mail, in compliance with the provisions of the Articles of Incorporation, as follows:

Director	Number of meetings to which he attended	Number of meetings to which he was absent	Total number of meetings*
Andrei Hrebenciuc	2	-	2
Bogdan Alexandru Drăgoi	2	-	2
Cătălin Constantin Vicol	2	-	2
Rachid El Lakis	2	-	2
Nicușor Marian Buică	2	-	2

* *meetings to which they were convened during the mandate, in the 1st quarter of 2023*

The following were presented, discussed and approved, as the case may be: preliminary financial statements related to 2022, persons authorised to sign in relation to the banks, the performance of bioequivalence studies for some products, the convening of the O.G.M.S. for the balance sheet and E.G.M.S. for the 2022 Annual Report and the 2022 Remuneration Report, appointment of the Commission for the centralization of votes by correspondence and the powers of attorney sent by shareholders for the Ordinary and Extraordinary General Meeting, approval of the Inventory Protocol and cancellation proposals, Iancu de Hunedoara cadastral rectification, modifications to the commercial policy afferent to 2023, the decisions necessary for carrying out the current activity of the Company being made.

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



Thus, according to the approved Policy and the regulations in force, O.G.M.S. – by Decision No. 86/26.04.2023, approved the Remuneration Report afferent to 2022 drafted by the Board of Directors (the vote having the character of an advisory vote). The Remuneration Report for 2022 can be consulted on the Company website in the Corporate Governance/Investor Relations section, subsection GMS - GMS 2023.

On 31.03.2023 there is no Committee established (Audit, Nomination, Remuneration) at the level of the Board of Directors of Biofarm S.A.

Following the meetings of the Board of Directors **2 decisions**, were issued, communicated to the persons that were going to accomplish them.

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

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

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

- a. represents the Company in the relationship with shareholders, third parties, the trade union and in court, under the law, and of the Articles of Incorporation;
- b. employs and dismisses the company personnel;
- c. establishes the job descriptions and the salaries of all the company employees;
- d. proposes the company's 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. meets any other duties delegated by the Board of Directors;
- j. has the right to delegate the power to represent the company in relations with third parties, the union etc., to the Executive Director, the Deputy General Manager and other persons from the company's management, by decision.

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

The General Manager is responsible for exceeding his duties.

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

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



On 31 March 2023, **the company management team** was insured by the following persons:

Cătălin Constantin VICOL – General Manager

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

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

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

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

Mihai ZOESCU - Chief Financial Officer

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

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

Ioana GORĂNESCU - Marketing Manager

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

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



Dragoş MOISE – Trade Manager

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

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

Cristinel Dănuţ IORGA – Field Force Manager

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

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 DOBRISAN – Chief Accountant

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

Claudia occupies the position of Chief Accountant within the Financial-Accounting Department since 2016, and together with the team it coordinates, ensures that all the financial-accounting activities of Biofarm S.A. are carried out both in compliance with the internal procedures of the company, and with the applicable tax regulations. Claudia is a graduate of the of the Bucharest Academy of Economic Studies and a CECCAR member. Her experience, accumulated in the financial accounting field in multinational companies in various fields of activity (food production, pharma distribution) since 2002, allows her to contribute to the company performance.

Petruţa STOICESCU – Manufacturing Manager

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

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 "Politehnica" University of Bucharest, Macromolecular Compounds Technology section.

Cristina DIACONESCU - Quality Manager & Qualified Person

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

Cristina Diaconescu coordinates the Quality Department, respectively the Quality Assurance and Quality Control activities. With over 30 years of experience in the pharma industry, in manufacturing, marketing and sales, research, development and quality, together with the team she coordinates, she is concerned about the development and implementation of quality standards and requirements, in all the



company processes. Cristina is a chemical engineer. She graduated from the Faculty of Industrial Chemistry of the "Gh. Asachi" Technical University of Iași and holds an MBA degree at the "Gh. Asachi" Technical University of Iași.

Mariana BOGDE – Human Resources Manager

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

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

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

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

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

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

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

Lucian BOGACIU – Administrative Manager

Date from which he holds the position within Biofarm S.A.: 01.01.2020

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

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

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

Valentina Alina COVACI – Regulatory Affairs & Medical & Pharmacovigilance Manager

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

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



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

Maria Diana VIZITIU - Controlling & Reporting Department Manager

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

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

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

Tatiana PATOI – Export Department Manager

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

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

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

Florin TALOI – IT Department Manager

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

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

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

The members of the executive management have skills and responsibilities according to the job description. All persons who are part of the company's executive management are employed with continuous contracts of employment, except for the General Manager, Cătălin Constantin Vicol, and the Chief Financial Officer, Mihai Zoescu, who have concluded a mandate contract.

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



The number of shares held by the members of the executive management and of the Board of Directors of Biofarm S.A. as of 31 March 2023 is presented in the following table:

Andrei Hrebenciuc – B.D. Chairman	5,000
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The persons being part of the executive management, or the Board of Directors of the company were not involved in disputes or administrative procedures in relation with their activity within the issuer.

6.2. Rights of Shareholders

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

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

Shares are indivisible in relation with the Company which only 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. (former C.N.V.M. (*National Securities Commission*)) regulations.

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

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

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

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

- General information
- Financial calendar
- Current reports



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

B.D CHAIRMAN
Andrei Hrebenciuc



STATEMENT OF COMPREHENSIVE INCOME
on and for the period of 3 months concluded on 31 March 2023
(all amounts are expressed in LEI, if not otherwise mentioned)

INDIVIDUAL FINANCIAL STATEMENTS
on and for the period of 3 months concluded on 31 March 2023

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



STATEMENT OF COMPREHENSIVE INCOME

on and for the period of 3 months concluded on 31 March 2023
(all amounts are expressed in LEI, if not otherwise mentioned)

Statement of Comprehensive Income	NOTE	For the period of 3 months concluded on	
		31 March 23	31 March 22
Income from sales	4	95,840,271	75,836,309
Other operating income		73,492	12,064
Changes in inventories		(3,314,893)	(33,538)
Raw materials and consumables	5	(14,213,233)	(11,890,112)
Personnel expenses	6	(12,817,355)	(10,998,412)
Amortisation		(4,125,333)	(3,853,085)
Other operating expenses	7	(22,889,857)	(17,311,252)
Operating profit/(loss)		38,553,092	31,761,974
Net financial income/(costs)	8	1,430,199	311,312
Profit/(loss) before tax		39,983,291	32,073,286
Corporate tax expenses	9	(8,347,484)	(5,453,354)
Profit/(Loss)		31,635,807	26,619,932
Other comprehensive income elements			
Reassessment of tangible assets		-	-
Deferred tax related to reassessment		-	-
Total comprehensive income		31,635,807	26,619,932

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

Approved by the Board of Directors on 11 May 2023

and signed on his behalf by:

B.D. Chairman

Andrei Hrebenciuc

Drafted by:

Chief Accountant

Monica Claudia Dobrisan



FINANCIAL POSITION STATEMENT

on 31 March 2023

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

Statement of Financial Position

Assets	NOTE	31 March 23	31 December 22
Tangible assets	11	171,232,018	170,930,851
Real estate assets	12	11,780,863	11,780,863
Intangible assets	13	247,596	63,958
Other fixed assets		9,095	9,095
Deferred tax	18	11,756,876	9,771,214
Fixed assets		195,026,448	192,555,981
Inventories	14	52,876,317	56,654,482
Trade receivables and similar	15	132,235,138	134,611,744
Cash and cash equivalents	16	121,456,666	82,713,880
Current assets		306,568,121	273,980,106
TOTAL ASSETS		501,594,569	466,536,807
Debts			
Commercial debts and similar	17	62,791,489	65,185,430
Debts regarding profit tax		6,772,549	-
Contractual debts	17	17,249,636	15,953,773
Other provisions	19	2,254,395	4,506,192
Current debts		89,068,069	85,645,395
Long-term debts	17	835,121	835,121
Long-term debts		835,121	835,121
TOTAL DEBTS		89,903,190	86,480,516
NET ASSETS		411,691,379	380,055,571

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

Approved by the Board of Directors on 11 May 2023

and signed on his behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Monica Claudia Dobrisan
Chief Accountant



FINANCIAL POSITION STATEMENT (continued)

on 31 March 2023

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

Share capital and reserves	NOTE	31 March 23	31 December 22
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	3,718,507	3,718,507
Reserves	22	23,350,438	23,350,438
Retained earnings	23	254,623,059	183,705,796
Current result		31,635,807	70,917,262
Profit distribution	24	-	-
TOTAL CAPITALS		411,691,379	380,055,571

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

Approved by the Board of Directors on 11 May 2023
and signed on his behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:

Monica Claudia Dobrisan
Chief Accountant



CASH FLOWS STATEMENT

on and for the period of 3 months concluded on 31 March 2023
(all amounts are expressed in LEI, unless otherwise mentioned)

Cash Flows Statement

<i>Flows from operating activities</i>	31 March 23	31 March 22
Profit before tax	39,983,291	32,073,286
<i>Adjustments for:</i>		
Receivable adjustment	-	-
Adjustment of inventories	(282,572)	162,237
Amortisations and provisions	4,125,333	3,853,085
Modification of the real estate investments value	-	-
Loss/(profit) from the disposal of assets	-	-
Decrease/(increase) in other provisions	(897,964)	(1,277,768)
Other financial income	(1,430,200)	(311,319)
Financial costs	1	7
Profit before modifying the working capital	41,497,889	34,499,528
Decrease/(increase) of receivables	(1,027,847)	4,802,434
Decrease/(increase) of inventories	4,060,737	(7,400,293)
Increase/(decrease) of debts	(2,430,182)	(10,453,497)
Cash from operating activities	42,100,597	21,448,172
Paid financial costs	-	-
Paid profit tax	-	-
Net cash from operating activities	42,100,597	21,448,172
<i>Flows from investments activities</i>		
Other financial assets	-	-
Acquisitions of tangible assets	(4,544,612)	(11,394,005)
Collections from the sale of fixed assets	-	-
Collected interest	1,207,760	283,881
Net flows from investment activities	(3,336,852)	(11,110,124)
<i>Flows from financing activities</i>		
Paid dividends	(20,959)	(24,594)
Net flows from financing activities	(20,959)	(24,594)
Cash net increase/(decrease)	38,742,786	10,313,454
Cash and cash equivalents at the beginning of the period	82,713,880	103,865,018
Cash and cash equivalents at the end of the period	121,456,666	114,178,472

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

Approved by the Board of Directors on 11 May 2023
and signed on his behalf by:
Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Monica Claudia Dobrisan
Chief Accountant



STATEMENT OF CHANGES IN EQUITIES
on and for the period of 3 months concluded on 31 March 2023
(all amounts are expressed in LEI, unless otherwise mentioned)

Statement of Changes in Equities

	Subscribed capital	Own shares	Share issuance losses	Reserves	Retained earnings and current result	TOTAL
31 December 2021	98,537,535	(813)	(173,154)	27,068,945	207,354,804	332,787,317
Current and carried forward comprehensive income	-	-	-	-	70,917,262	70,917,262
Allocations of other revaluation reserves	-	-	-	-	-	-
Allocations of deferred tax revaluation	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	70,917,262	70,917,262
Prescribed dividends	-	-	-	-	-	-
Distributed dividends	-	-	-	-	(23,649,007)	(23,649,007)
31 December 2022	98,537,535	(813)	(173,154)	27,068,945	254,623,059	380,055,571
	Subscribed capital	Own shares	Share issuance losses	Reserves	Retained earnings and current result	TOTAL
31 December 2022	98,537,535	(813)	(173,154)	27,068,945	254,623,059	380,055,571
Current and carried forward comprehensive income	-	-	-	-	31,635,807	31,635,807
Allocations of other revaluation reserves	-	-	-	-	-	-
Allocations of deferred tax revaluation	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	31,635,807	31,635,807
Prescribed dividends	-	-	-	-	-	-
Distributed dividends	-	-	-	-	-	-
31 March 2023	98,537,535	(813)	(173,154)	27,068,945	286,258,866	411,691,379

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

Approved by the Board of Directors on 11 May 2023
and signed on his behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:

Monica Claudia Dobrisan
Chief Accountant



Explanatory Notes to the Financial Statements:

1. General Information

1.1. Company Presentation

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

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

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, tax identification number 14008268;
- Bucharest, str. Drumul Gura Badicului, nr. 202-232, sector 3, tax identification number 30037915.

The shareholding structure on 31.03.2023 was the following:

Shareholder	Shares	Percentage (%)
S.I.F. Muntenia S.A., BUCHAREST Locality, 2 nd District	508,231,323	51.5774
Lion Capital S.A., Arad Locality, Arad County	362,096,587	36.7471
Natural persons	100,571,492	10.2064
Legal persons	14,475,948	1.4691
Total	985,375,350	100

1.2. Corporate Governance Structures

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

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

- The Board of Directors of BIOFARM S.A. during the period 01.01.2023 – 31.03.2023 was composed of:
 - Andrei HREBENCIUC – B.D. Chairman, non-executive, non-independent
 - Bogdan Alexandru DRĂGOI – B.D. Member, non-executive, non-independent
 - Nicușor Marian BUICĂ – B.D. Member, non-executive, non-independent
 - Cătălin Constantin VICOL – B.D. Member, executive, non-independent
 - Rachid EL LAKIS – B.D. Member, non-executive, non-independent



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

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

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

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

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

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

2. Accounting Policies

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

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



The separate financial statements have been approved by the Board of Directors during the meeting of 11 May 2023.

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

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

2.1. Bases of Assessment

The separate financial statements are drafted based on the convention of the historic/amortised cost, except for the lands and buildings presented at a revalued cost by the use of the fair value as an assumed cost and of the elements presented at their fair value, respectively the financial assets and debts at the fair value by the profit and loss account and the financial assets available for sale, except for those for which the fair value cannot be reliably established.

2.2. Functional and Presentation Currency

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

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

2.3. Significant Accounting Valuations and Estimates

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

An estimate may require 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. Considering the reduced number of clients, the evaluation of value adjustments on trade receivables is made individually, on each customer. The accuracy of the adjustments depends on the estimation of future cash flows.

(c) Judicial Procedures

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

(d) Accounting Estimates

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

(e) Taxation

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



2.4. Presentation of Financial Statements

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

2.5. Going Concern Principle

The 3-month period concluded on 31 March 2023 continued in line with the expectations of Biofarm SA management, so that, on the date of financial statements, the company's management team does not consider that there is any aspect that would affect going concern principle, the volume of sales, cash flows and profitability. On the date of these financial statements, Biofarm SA has sufficient liquidity to meet its obligations at maturity and, therefore, applies the going concern principle as a basis for the preparation of financial statements.

2.6. Intangible Assets

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

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

Intangible Assets generated Internally (Development Costs)

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

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

2.7. Tangible Assets

Tangible assets are tangible elements that:

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



Recognition:

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

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

Assessment after Recognition

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

After recognition as an asset, buildings whose fair values can be measured reliably are accounted for a reassessed amount, this being its fair value at the date of reassessment minus any subsequently accumulated depreciation and any losses accumulated from the depreciation.

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

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

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

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

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

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

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

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



Amortisation

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

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

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

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

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

Depreciation

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

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

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

Initial Assessment of Financial Assets and of Financial Debts

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



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

Subsequent Assessment of Financial Assets

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

Depreciation of Financial Assets

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

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

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

Gains and Losses

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

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

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

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



Cash and Cash Equivalents

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

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

2.8. Real Estate Investments – IAS 40

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

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

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

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

Real estate investments are subsequently presented in the balance sheet at their fair value, estimated depending on the trading values of comparable assets (IFRS 13 – Level 2). After initial recognition, an entity that chooses the model of the fair value must assess all its real estate investments at their fair value, except for the cases in which it cannot be determined in a credible way.

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

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

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

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

2.9. Inventories

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

- a. owned for sale during the normal course of the activity;
- b. in the process of production for such sale; or



- c. in the form of materials and other consumables to be used in the production process or for the supply of services.

Assessment of Inventories:

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

Cost of Inventories

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

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

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

Adjustments for Depreciation of Inventories

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

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

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

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

Assessment of Income

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

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

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

Income classification will be realised in three large groups:

- **Operating income**, comprising: incomes from the sold production, from the sale of goods, operating grants related to net turnover, from inventory variation, from the fixed assets production, other operating income, from value adjustments on fixed assets, from value adjustments on current assets, from adjustments on provisions for risks and expenses.
- **Financial income**, comprising: income from participating interests, from other financial investments and receivables that are part of fixed assets, from interests, other financial income, from the adjustment of the value of financial capital assets and financial investments held as current assets;



➤ **Extraordinary income.**

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

2.12.2. Recognition of Expenses

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

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

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

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

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

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

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

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

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

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

Provisions are recorded in accounting with the help of accounts from group 15 "Provisions" and is constituted based on expenditures, except for those that are afferent to



decommissioning of tangible assets and of other similar actions related to them, for which the provisions of IFRIC 1 shall be considered.

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

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

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

Provisions previously constituted are periodically analysed and updated.

2.15. Employees Benefits – IAS 19 Employees Benefits

Current benefits granted to employees

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

Benefits after Conclusion of Employment Contract

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

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

Pensions and other Benefits subsequent to Retirement

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

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



2.16. Deferred Tax - IAS 12

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

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

- initial recognition of the goodwill;
- initial recognition of an asset or liability within a transaction that is not a combination of enterprises and at the transaction date it affects neither the accounting profit nor the taxable one; and
- investments in subsidiaries and jointly controlled entities when the Company can control the moment of difference inversion and it is possible for the difference to not be inverted 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 the Companies Law no. 31/1990, republished.

In the first set of financial statements elaborated according to the IFRS, the company applied the IAS 29 – “Financial reporting in hyperinflationary economies” for the contributions to



shareholders obtained before January 01, 2004, and namely, they were adjusted with the appropriate inflation index.

2.19. Financing Costs

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

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

2.20. Earnings per Share

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

2.21. Reporting on Segments

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

2.22. Affiliated Parties

A person or a close member of the family of the respective person is considered 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 represent those people who have the authority and responsibility to plan, manage and control the activities of the Company directly or indirectly, including any manager (executive or not) of the entity. Transactions with key personnel exclude the salary benefits granted to them, as they are presented in Note 6 "Personnel expenses".

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

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



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

2.23. Modifications brought to the Accounting Policies

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

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

- **Amendments to IAS 16 "Tangible assets"** – Collections before the intended use, adopted by the EU on 28 June 2021 (applicable for annual periods beginning on or after 1 January 2022)
- **Amendments to IAS 37 „Provisions, contingent liabilities and contingent assets"** - Onerous contracts – Contract performance cost adopted by the EU on 28 June 2021 (applicable for annual periods beginning on or after January 1, 2022),
- **Amendments to various standards due to "IFRS Improvements (cycle 2018 - 2020)"** which result from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain formulations - adopted by the EU on 28 June 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after 1 January 2022. The amendment to IFRS 16 refers only to an illustrative example, therefore, no effective date is mentioned).

The adoption of the new amendments to the existing standards did not have any significant impact on the individual financial statements of the Company.

Standards and amendments to existing standards issued by the IASB and adopted by the EU, but which have not yet entered into force.

On the date of the approval of these consolidated financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU and are not yet in force:

- **IFRS 17 "Insurance contracts", including amendments to IFRS 17 issued by the IASB on 25 June 2020** - adopted by the EU on 19 November 2021 (applicable for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts" - Initial application of IFRS 17 and IFRS 9** – Comparative information adopted by the EU on 9 September 2022 (applicable for annual periods beginning on or after 1 January 2023).



- **Amendments to IAS 1 "Presentation of financial statements" - Presentation of accounting policies** (applicable for annual periods starting on or after 1 January 2023);
- **Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"** - Definition of accounting estimates (applicable for annual periods starting on or after 1 January 2023);
- **Amendments to IAS 12 "Income taxes"** - Deferred tax related to assets and liabilities arising from a single transaction (applicable for annual periods starting on or after 1 January 2023);

The company chose not to adopt these amendments to the existing standards before the actual dates of entry into force. The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the individual financial statements of the Company during the initial application period.

New standards and amendments to existing standards issued by the IASB, but which have not yet been adopted by the EU

Currently, IFRS as adopted by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the actual dates mentioned below are for the IFRS standards issued by the IASB):

- **IFRS 14 "Deferral accounts related to regulated activities"** (applicable for the annual periods starting on or after 1 January 2016) – the European Commission decided not to issue the approval process of this interim standard and to wait for the final standard;
- **Amendments to IAS 1 "Presentation of financial statements"** - Classification of debts into short-term debts and long-term debts (applicable for annual periods starting on or after 1 January 2023);
- **Amendments to IAS 1 "Presentation of financial statements"** – Fixed debts with agreements (applicable for annual periods on or after 1 January 2024);
- **Amendments to IFRS 16 "Leasing contracts"** – Leasing debts in case of sale and leaseback (applicable for annual periods on or after 1 January 2024);

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the individual financial statements of the Company during the initial application period.

3. Financial Instruments and Risks Management

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



- Credit risk
- Foreign exchange risk
- Liquidity risk

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

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

Main Financial Instruments

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

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

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

	Loans and receivables	
ASSETS	31 March 23	31 December 22
Commercial and assimilated receivables	121,363,275	118,745,945
Cash and cash equivalents	121,456,666	82,713,880
Total	242,819,941	201,459,825

	At amortised cost	
DEBTS	31 March 23	31 December 22
Commercial and similar debts	51,129,820	57,712,304
Long-term debts	835,121	835,121
Total	51,964,941	58,547,425

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

Credit Risk

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



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

Biofarm works only with distributors with national coverage in the pharmaceutical market 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 net receivables is in average at 113 days. Biofarm SA managed to permanently ensure the necessary of liquidities and high solvency and will try to continue to maintain the positive trend of the periods for the collection of receivables.

In the first quarter of 2023, in order to mitigate credit risk, the Board of Directors of Biofarm S.A. continued to ensure the company's receivables by the conclusion of a receivables insurance policy.

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

Foreign Exchange Risk

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

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

Receivables and cash/Net debts)	31 March 23	31 December 22
LEI	150,380,960	110,437,364
EUR	10,075,542	17,148,502
USD	4,163,446	4,090,601
OTHER CURRENCIES	3,787	3,762
At the end of the period	164,623,735	131,680,229

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 S.A. 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 first three months of 2023, the Company has sufficient liquid resources in order to honour its obligations in all foreseen reasonable circumstances.

Analysis of trade debts and similar on maturity:

Due trade debts:	31 March 23	31 December 22
after 1 month	21,736,098	16,003,845
between 1 - 3 months	20,519,157	27,842,649
between 3 - 6 months	6,424,812	11,810,159
between 6 - 12 months	2,449,753	2,055,651
over 12 months	835,121	835,121
Total*	51,964,941	58,547,425

* In the total of presented debts, both debts with a maturity of less than one year and debts with a maturity of more than one year in the amount of lei 835,121.

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.

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:

- Requirements for the separation of responsibilities, including the independent authorisation of transactions
- Transactions reconciliation and monitoring requirements
- Harmonisation to the regulation and legal requirements
- Documentation of controls and procedures
- Requirements for periodical analysis of the operational risk to which the Company is exposed and the adequacy of controls and procedures in order to prevent the identified risks
- Requirements for operational losses reporting and proposals for remediation of the causes that generated them
- Elaboration of plans of operational continuity



- Professional development and training
- Establishing ethical standards
- Prevention of litigation risk, including insurance, where necessary
- Minimising risks, including the efficient use of insurance, where necessary.

Capitals Adequacy

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

4. Income from Contracts with Clients

The income from sales includes the following elements:

Sales income	For the period of 3 months concluded on	
	31 March 23	31 March 22
Sales of end products	126,697,905	97,596,985
Sales of merchandise	1,550,873	875,915
Waste sales income	2,564	1,470
Trade discounts	(32,411,071)	(22,638,061)
TOTAL	95,840,271	75,836,309

The turnover is realised mainly from the sale of end products directly to pharmaceutical distributors (for the internal market) by the sale point from strada Drumul Gura Badicului nr. 202-232, sector 3, Bucharest. Some of the products placed on the market by Biofarm are produced by third parties. Revenues from the sale of these products are classified as "Sales of goods". Considering that the portfolio of outsourced products (manufactured by third parties) has increased, the revenues from sales of goods have increased significantly.

Net export sales in the first quarter of 2023 were of lei 2,813,637 (2022: lei 1,158,373), representing approximately 2.94% from the total net sales of Biofarm S.A.

More information related to segment sales can be found in Note 28.



5. Raw Materials and Consumable Materials

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

Raw materials and consumables	For the period of 3 months concluded on	
	31 March 23	31 March 22
Raw materials	8,835,722	7,568,299
Auxiliary materials	4,978,195	4,082,733
Merchandise	244,051	131,812
Inventory objects	42,186	20,745
Other consumables	113,079	86,523
TOTAL	14,213,233	11,890,112

6. Personnel Expenses

Personnel expenses have the following structure:

Personnel expenses	For the period of 3 months concluded on	
	31 March 23	31 March 22
Salaries	10,968,687	9,129,293
Fees and social contributions	494,834	415,277
Other benefits	1,353,834	1,453,842
TOTAL	12,817,355	10,998,412

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

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

Description	For the period of 3 months concluded on	
	31 March 23	31 March 22
Contracts of the Board of Directors	324,085	301,887
Key persons salaries	1,659,882	1,518,157
Meal vouchers	19,680	12,400
TOTAL	2,003,647	1,832,444



7. Other operating expenses

Other operating expenses include the following:

	For the period of 3 months concluded on	
	31 March 23	31 March 22
Other operating expenses		
Utilities	2,746,102	2,022,734
Repairs	187,967	204,267
Insurance	305,606	274,437
Bank fees	10,543	8,368
Advertising and promotion of products	15,898,563	11,188,134
Travel and transportation	630,660	651,282
Post and telecommunications	79,670	106,311
Other services provided by third parties	2,169,447	1,621,986
Other taxes and duties	687,364	725,884
Inventory adjustments	-	162,237
Donations and grants	96,998	268,000
Exchange rate differences	77,617	77,587
Other operating expenses	(680)	25
Litigation provisions *	-	-
TOTAL	22,889,857	17,311,252

8. Net Financial Income

The net financial income has the following structure:

	For the period of 3 months concluded on	
	31 March 23	31 March 22
Net financial income/(costs)		
Interest income	1,430,200	311,319
Costs with interests	(1)	(7)
TOTAL	1,430,199	311,312

9. Corporate Tax Expenses

	For the period of 3 months concluded on	
	31 March 23	31 March 22
Tax expenses		
Current profit tax expense	10,333,145	6,118,952
Deferred tax expense/(income)	(1,985,661)	(665,598)
TOTAL	8,347,484	5,453,354



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

Name of indicators	For the period of 3 months concluded on	
	31 March 23	31 March 22
Income and items similar to income	98,153,868	78,435,664
Total expenses (less corporate tax)	(58,170,577)	(45,696,781)
Accounting result	39,983,291	32,738,883
Deductions (fiscal amortisation)	(4,081,633)	(3,845,709)
Non-deductible expenses/(Non-taxable income)	29,286,737	11,025,270
Fiscal result	65,188,395	39,918,444
Corporate tax (fiscal result x 16%)	10,430,144	6,386,952
Profit tax reductions calculated according to the legislation in force	(96,999)	(268,000)
Total corporate tax	10,333,145	6,118,952

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

Deferred tax (expense)/income:

Assets	31 March 23	31 March 22
Salary debts	216,613	237,941
Adjustments of depreciation for tangible assets	-	(31,042)
Adjustments of depreciation for doubtful receivables	-	-
Uninvoiced contractual obligations	1,335,804	523,042
Other debts	(302,554)	(22,199)
	1,249,863	707,742
Debts		
Tangible assets – recognised in the profit and loss account	735,798	(42,144)
TOTAL	1,985,661	665,598



10. Earnings per share

	For the period concluded on 31 December 22
Net profit (A)	70,917,262
Number of ordinary shares (B)	985,375,350
Own shares held (C)	<u>8,126</u>
Earnings per share (A/(B-C))	<u>0.0720</u>

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

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

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

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

	For the period concluded on 31 December 22
Net profit (A)	70,917,262
Number of ordinary shares (B)	985,375,350
Own shares held (C)	8,126
Number of shares obtained AVAS by in-kind contribution for the Logofățul Tăutu land (D)	<u>85,593,147</u>
Diluted earnings per share (A/(B-C+D))	<u>0.0662</u>

In the calculation of AVAS shares by in kind contribution for the land of Logofățul Tăutu, the value indexed with the annual Consumer Price Index (CPI) at 2022 for 1991 was considered.



EXPLANATORY NOTES TO FINANCIAL STATEMENTS
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11. Tangible Assets

	Terenuri	Cladiri	Instalatii tehnice si masini	Alte instalatii, utilaje si mobilier	Imobilizari corporale in curs	Total
31 December 2021	7.993.073	73.261.701	133.905.323	3.826.430	25.793.085	244.779.612
Purchases	-	-	14.302.488	283.124	25.174.761	39.760.373
Outputs	-	-	(1.403.931)	(97.482)	(14.585.613)	(16.087.026)
31 December 2022	7.993.073	73.261.701	146.803.880	4.012.072	36.382.234	268.452.959
Purchases	1.124.786	-	765.801	122.269	4.399.108	6.411.964
Outputs	-	-	-	-	(2.012.856)	(2.012.856)
31 March 2023	9.117.860	73.261.701	147.569.681	4.134.341	38.768.486	272.852.067
AMORTISATION AND ADJUSTMENTS						
31 December 2021	18.658	7.756.716	69.786.226	1.827.097	794.655	80.183.352
Period cost	39.528	3.771.043	11.075.876	457.235	-	15.343.681
Outputs/Transfers	-	-	(1.403.931)	(97.482)	-	(1.501.413)
Reassessments	-	-	-	-	-	-
31 December 2022	58.186	11.527.758	79.458.171	2.186.850	794.655	94.025.619
Period cost	9.882	942.635	3.026.774	118.649	-	4.097.940
Outputs/Transfers	-	-	-	-	-	-
31 March 2023	68.068	12.470.394	82.484.944	2.305.499	794.655	98.123.559
Depreciation adjustment 2019	-	(2.647.669)	(2.905.912)	-	-	(5.553.581)
Depreciation adjustment 2020	-	278.099	524.198	-	(974.539)	(172.242)
Depreciation adjustment 2021	-	97.004	290.948	-	-	387.952
Depreciation adjustment 2022	-	525.241	1.316.142	-	-	1.841.383
Total adjustments	-	(1.747.325)	(774.624)	-	(974.539)	(3.496.488)
NET VALUES						
31 December 2021	7.974.415	63.232.420	62.028.331	1.999.333	24.023.892	159.258.390
31 December 2022	7.934.887	59.986.617	66.571.085	1.825.222	34.613.040	170.930.851
31 March 2023	9.049.791	59.043.981	64.310.113	1.828.842	36.999.291	171.232.018



Reassessment of Fixed Assets

Biofarm policy is to reassess the patrimony every 3 (years). The last assessment was done on 31.12.2021, when lands being in the patrimony owned by the company were reassessed by Romcontrol S.A, an associate member of the National Association of Romanian Valuers (ANEVAR).

The land reassessment report was transposed in accounting on 31.12.2021. The result of lands appraisal is presented in the table below:

Description	Reassessed value 31.12.2018	Reassessed value 31.12.2022	Appreciation 2021
Land located in Bucharest, str. Drumul Gura Badicului nr. 202-232	5,534,296	7,618,659	2,084,363

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

On 31.12.2022, Biofarm S.A. reassessed the land of Bd. Iancu de Hunedoara nr. 40-42, sector 1. According to the reassessment report, the land was reassessed at the value of lei 11,780,863, thus, an appreciation in the amount of lei 83.525 was recorded, as compared to the reassessed value of lei 11,697,338 on 31.12.2021 and is provided in Note 12, Real estate investments.

The result of the reassessment report for the buildings owned by Biofarm S.A. was recorded in the financial statements on 31.12.2018. On 31.12.2022, Biofarm S.A. reassessed the buildings owned by it, but as the reassessment reports showed insignificant differences, a fair value of lei 60,943,171 compared to the accounting value of lei 61,733,943, they were not recorded in the financial statements.

Amortisation of Fixed Assets

Accounting amortisation is calculated by using the linear method. For the new fixed assets, entered in the first three months of 2023, such as installations, cars and measurement and control devices, the useful life durations were established considering:

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



Fixed Asset Advances in Progress

On the date of the financial statements, Biofarm SA had advances paid for tangible assets under progress in the amount of lei 21,694,931.

Discarded Fixed Assets and Established Depreciation Adjustments

Upon the inventory of the patrimony from 2022, fixed assets were proposed to be discarded without the value remained to be amortised on 31.12.2022.

Considering the production relocation plan into 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 a depreciation of them that might attract the registration of an adjustment for depreciation. The Company recorded on the balance sheet date an adjustment for the depreciation of the building and of the equipment of Bucharest, str. Logofătul Tăutu nr.99, sector 3 in the amount of lei 3,496,488.

Litigations and Property Rights for Fixed Assets

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

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

For the litigations pending before the courts of law in which Biofarm S.A. company is involved, taking into account the sentences, in 2022, a provision was established in the amount of lei 1,211,205.

12. Real Estate Investments

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

	31 March 23	31 December 22	31 December 21
At the beginning of the period	11,780,863	11,697,338	11,507,054
Fair value modification	-	83,525	190,284
At the end of the period	11,780,863	11,780,863	11,697,338



13. Intangible Assets

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

	31 March 23	31 December 22
Cost		
Initial balance	2,629,288	3,367,930
Inputs	211,030	-
Outputs		(738,642)
Final balance	2,840,318	2,629,288
Amortisation/adjustments for depreciation		
Initial balance	(2,565,330)	(3,147,122)
Period cost	(27,392)	(156,850)
Outputs		738,642
Final balance	(2,592,722)	(2,565,330)
Net value	247,596	63,958

14. Inventories

	31 March 23	31 December 22
Inventories		
Raw materials and consumables	39,876,982	40,511,780
Adjustments of raw materials and consumables	(1,973,917)	(2,120,484)
Production under progress and semi-finished products	3,444,802	2,818,058
Adjustments of production under progress	(70,320)	(70,320)
End products	11,601,861	15,590,124
Adjustments of end products	(641,015)	(688,658)
Merchandise	2,708,554	2,772,974
Adjustments	(2,070,630)	(2,158,992)
TOTAL	52,876,317	56,654,482

15. Trade and Other Receivables

Description	31 March 23	31 December 22
Trade receivables	134,518,195	132,134,088
Adjustments for trade receivables	(14,470,058)	(14,470,058)
Sundry debtors and other receivables	526,463	515,679
Adjustments for other receivables	(161,548)	(161,548)
Interest to be collected	941,127	718,687
Total financial assets other than cash, classified as loans and receivables	121,354,179	118,736,848
Other receivables from the State Budget	7,546,829	13,036,083
Advances	1,502,633	1,999,018
Accrued expenses	1,831,497	839,795
TOTAL	132,235,138	134,611,744



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

The company did not pledge or discount trade receivables.

Seniority analysis	31 March 23	31 December 22
Receivables not yet due	112,944,085	107,310,015
Adjusted outstanding receivables:		
up to 3 months	8,410,094	11,426,833
between 3 and 6 months	-	-
between 6 and 12 months	-	-
over 12 months	14,631,606	14,631,606
TOTAL	133,368,454	133,368,454

On 31 March 2023, the company has recorded adjustments for trade receivables representing customers' balance which is unlikely to be received by the company anymore in the amount of lei 14,631,606.

Customer adjustments and other receivables	31 March 23	31 December 22
At the beginning of the period	14,631,606	14,687,492
Constituted	-	-
Adjustments cancellation	-	(55,886)
At the end of the period	14,631,606	14,631,606

According to IFRS 9, the company analysed the balances of all customers and decided to not establish any additional depreciation adjustment on 31 March 2023, as compared to 31 December 2022. In the first quarter of 2023, Biofarm S.A. insured the company's receivables by concluding an insurance policy.

16. Cash and Cash Equivalents

Cash and cash equivalents include the money available in the bank accounts, cash register and bank deposits:

Cash and cash equivalents	31 March 23	31 December 22
Cash in bank	2,052,475	1,569,998
Cash and cash equivalents	33,711	26,647
Deposits	119,370,480	81,117,235
TOTAL	121,456,666	82,713,880

In the first quarter of 2023, there were no transactions with cash settlement with third natural or legal persons.



17. Commercial Debts and Other Debts

Commercial debts and similar	31 March 23	31 December 22
Commercial debts	38,752,780	46,417,359
Suppliers of assets	2,318,924	2,655,910
Debts in relation to employees	1,070,913	1,039,439
Untaken leaves	1,731,058	1,370,729
Salary bonuses	6,483,278	5,489,773
Benefits granted upon retirement	54,173	54,173
	718,695	684,922
Guarantees of suppliers		
Total debts less loans, classified as measured at an amortised cost	51,129,821	57,712,305
Taxes and social contributions	13,180,758	1,974,462
Other tax debts	226,016	450,261
Dividends	5,027,443	5,048,402
TOTAL	69,564,038	65,185,430
Contractual debts	17,249,636	15,953,773
	86,813,674	81,139,203

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

Long-term debts	31 March 23	31 December 22
Long-term debts *	835,121	835,121
Total	835,121	835,121

* The amount presented under "Long-term debt", according to the annual actuarial report, represents only the benefits that will be granted after 12 months from the date of the financial statements, the benefits that will be paid in the following period, up to 12 months, have been reclassified to "Salary rights provisions".

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

Salary obligations	Total
31 December 22	889,264
Establishments during the period	-
Uses during the period	-
31 March 23	889,264



Hypotheses	Retirement benefits
Debt current value on 31.03.2023 (RON)	889,264
Reduction percentage +1%	812,343
Reduction percentage -1%	977,399
Salary increase rate +1%	978,843
Salary increase rate -1%	809,888
Longevity + 1 year	884,958

18. Deferred Profit Tax

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

Description	31 March 23	31 December 22
Initial balance	9,771,214	7,445,627
Deferred tax income	1,985,662	2,325,587
Deferred tax recognised in capitals	-	-
Final balance (active)	11,756,876	9,771,214

The deferred tax refers to the following:

	31 March 23	31 December 22
Assets		
Salary debts	1,456,582	1,239,968
Adjustments of depreciation for Tangible assets	279,572	279,572
Adjustments of depreciation for doubtful receivables	1,791,400	1,791,400
Uninvoiced contractual obligations	9,209,520	7,873,716
Other debts	1,226,648	1,529,202
	13,963,722	12,713,858
Debts		
Tangible assets – recognised in the profit and loss account	(1,873,348)	(2,609,146)
Tangible assets – recognised in the profit and loss account	(333,498)	(333,498)
	(2,206,846)	(2,942,644)
TOTAL	11,756,876	9,771,214

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



19. Other Provisions

Other provisions

	31 December 22	4.506.192
Establishments during the period		360,000
Uses during the period		(2,611,797)
	31 March 23	2,254,395

The amount presented under Other provisions represents provisioned expenses for other benefits and for one pending litigation. For one of the litigations before the courts in which the company Biofarm S.A. is involved, taking into account the sentences in 2022, a provision in the amount of RON 1,211,205 was established.

20. Share Capital

The subscribed share capital of the company on 31 March 2023 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 confer equal rights to company shareholders. Biofarm S.A. did not issue shares that offer preferential rights to holding shareholders.

21. Information on the Repurchase of Own Shares

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

22. Reserves

Reserves include the following components:

Reserves	31 March 23	31 December 22
Fixed assets revaluation reserves	3,718,507	3,718,507
Legal reserves	19,707,506	19,707,506
Other reserves	3,642,932	3,642,932
TOTAL	27,068,945	27,068,945



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. In 2021, no legal reserve was established because the threshold of at least one fifth of the share capital was reached. Legal reserves cannot be distributed.
Other reserves	Other reserves include on 31 March 2023 reserves afferent to reinvested profits that can be distributed when fixed assets for which the legal provision was applied will be written off. At the time of distribution, these reserves will be taxed.

23. Retained Earnings

Retained earnings include the following component elements:

Description	31 March 23	31 December 22
Retained earnings coming from the adoption for the first time of IAS, less IAS 29	2,363,952	2,363,952
Retained earnings coming from the transition to the IFRS application, less IAS 29	443,006	443,006
Retained earnings coming from the application of IFRS 15	(11,327,184)	(11,327,184)
Retained earnings surplus revaluation reserve	31,752	31,752
Retained earnings coming from the use, on the date of transition to the application of IFRS, of the fair value as deemed cost	14,037,338	14,037,338
Retained earnings	249,074,194	178,156,932
TOTAL	254,623,058	183,705,796



24. Current Profit Distribution for 2023

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

25. Contingent Liabilities

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

26. Commitments

The company has no debts towards credit institutions. Biofarm S.A. did not submit guarantees and did not pledge, respectively did not mortgage its own assets for guaranteeing obligations in favour of a third party. The company has concluded contracts for the purchase of equipment.

27. Information on the Audit of Financial Statements

The financial statements concluded on 31.03.2023 are not audited.

28. Reporting on Segments

The share, in the amount of (RON), of the income of the three categories of products manufactured by Biofarm SA (food supplements (SN), over-the-counter drugs (OTC) and prescription drugs (RX)) is the following: over-the-counter drugs (OTC) have a share of 62%, food supplements (SN) have a share of 34% from the company portfolio, and the share of prescription drugs (RX) is of 4%.

The sales of Biofarm SA products are carried out mostly to the main distributors on the pharmaceutical market, this segment representing approximately 98% from the total sales of Biofarm both in terms of volume and in terms of value. In the first quarter of 2023, Biofarm SA has contracts concluded with a number of six distributors: the first 33%, the second 26%, the third 15 %, the fourth 14% and the fifth 10%.

In the first three months of 2023, the share of export sales represented approximately 2.94% from the total net sales of Biofarm S.A.. The company products were exported in 4 countries: Albania, Azerbaijan, Republic of Moldova and Iraq.

29. Affiliated Parties

In the first quarter of 2023, Biofarm SA carried out transactions with Vrancart SA Adjud, which is 75,50% owned by LION CAPITAL SA. Transactions during this period amounted to lei 66,395 (packaging purchases). On 31 March 2023, Biofarm SA has a debt in the amount of lei 79,010 to Vrancart SA.



30. Subsequent Events

On 26.04.2023, the General Meeting of Company's Shareholders took place, during which the distribution of the net profit realised in 2022 and the value of the gross dividend of lei 0.03/share were decided.

Approved by the Board of Directors on 11 May
2023 signed on his behalf by:

Andrei Hrebenciuc
B.D. Chairman

Drafted by:
Monica Claudia Dobrisan
Chief Accountant



STATEMENT

pursuant to the provisions of art. 30 from the Accounting Law No. 82/1991 on the financial statements prepared on 31.03.2023

The financial statements were prepared on 31.03.2023 for:

Legal person: **BIOFARM S.A**

County: 40 - BUCHAREST MUNICIPALITY

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

Number with the Trade Register: J40/199/1991

Form of property: 34- Joint-stock companies

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

Tax Identification Number: RO **341563**

The Chairman of the Board of Directors of S.C. BIOFARM S.A., Mr ANDREI HREBENCIUC, assumes liability for the preparation of the financial statements on 31.03.2023 and confirms that:

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

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

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

B.D. Chairman
Andrei Hrebenciuc

Chief Accountant
Monica Claudia Dobrisan

