
***Half-yearly report
on the economic-financial activity
of S.C. BIOFARM S.A. – 1st Semester 2016***

S.C. BIOFARM S.A. has the registered office in Bucharest, str. Logofatul Tautu, nr. 99, sector 3, and has as main activity object the manufacture of pharmaceutical preparations.

The unique registration code with the Trade Register Office is RO 341563 and the order number with the Trade Register is J40/199/1991.

The regulated market on which transferable securities issued by S.C. BIOFARM S.A. are traded is the Bucharest Stock Exchange, Premium category.

1.Economic-financial situation of S.C. Biofarm S.A. as at 30.06.2016

Financial statements of S.C. Biofarm S.A. as at 30.06.2016 are drafted in compliance with the International Financial Reporting Standards, with the Interpretations and International Accounting Standards (collectively referred to as IFRSs), issued by the International Accounting Standards Committee, as adopted by the European Union.

The financial statements of SC Biofarm SA as at 30.06.2016 are unaudited.

Financial statements are elaborated in compliance with the accrual accounting. Therefore, the effects of transactions and other events are recognised when transactions and events are produced and are registered in the accounting records and reported in the financial statements of the corresponding periods.

Financial statements are elaborated starting from the presumption that the company will continue its activity in the predictable future as well. The company does not intend nor is required to liquidate or to reduce significantly its activity.

1.1. Balance sheet concluded as at 30.06.2016

Assets

Description	30 June 2016	31 Dec 2015
Fixed assets	96,410,750	90,790,867
Current assets	123,274,653	126,101,741
TOTAL ASSETS	219,685,403	216,892,608
Current liabilities	36,393,813	34,351,755
Long-term liabilities	410,236	410,236
TOTAL LIABILITIES	36,804,049	34,761,991
NET ASSETS	182,881,355	182,130,617

Share capital and reserves

Description	30 June 2016	31 Dec 2015
Share capital	98,537,535	98,537,535
Own shares	(813)	(813)
Premiums related to own shares issuance/repurchase	(173,164)	(173,164)
Revaluation reserves	1,379,344	1,379,344
Reserves	51,081,545	40,030,625
Retained earnings	16,844,295	16,844,295
Current result	15,212,603	27,226,492
Profit distribution	(0)	(1,713,707)
TOTAL CAPITALS	182,881,355	182,130,617

Fixed assets

As at 30.06.2016, the company owns:

- the land located at no. 40-42 Iancu de Hunedoara Street;
- the land from no. 202-226 Gura Badicului Street.

The land in use from no. 99 Logofatul Tautu Street 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 the provisions of GD 834/1991 art. 1, the company requests the obtaining of the certificate attesting the ownership on the land, for the lands necessary to carry out the activity according to the activity object.

The value of the land for which the ownership certificate will be obtained shall be established based on legal provisions. Together with the value of lands, the share capital of the Company will be increased as well, and shares will be owned by the state.

During the first semester of 2016, investments amounting Ron 9,022,910 were performed.

The structure of fixed assets as at 30 June 2016 is the following:

TANGIBLE ASSETS	30 June 2016	31 Dec 2015
Lands and constructions	17,863,760	18,542,746
Technical installations and machinery	20,290,542	22,198,074
Other installations, machines and furniture	393,314	470,608
Tangible assets in progress	45,663,406	37,756,858
TOTAL ASSETS	84,211,022	78,968,285

Inventories

The structure of inventories as at 30.06.2016 is the following:

Inventories	30 June 2016	31 Dec 2015
Raw materials and consumables	9,749,980	11,112,537
Adjustments	(794,857)	(979,325)
Production in progress and semi-products	2,012,109	3,053,993
Finished products	5,328,682	4,649,900
Adjustments	(225,030)	(203,266)
Goods	2,192,734	1,495,548
TOTAL	18,263,618	19,129,386

Trade Receivables

Trade receivables of S.C. Biofarm S.A. decreased as at 30.06.2016 in comparison with 31.12.2015, due to the reduction of time for customer cashing.

Trade receivables	30 June 2016	31 Dec 2015
Trade receivables	73,023,643	80,305,979
Adjustments for trade receivables	(13,038,881)	(13,038,881)
	59,984,762	67,267,098

Short and long term liabilities

	30 June 2016	31 Dec 2015
Current liabilities	36,393,813	34,351,755
Long term liabilities	410,236	410,236
	36,804,049	34,751,991

Liabilities to the state budget and local budgets, respectively tax, special funds and fees, were paid on their due date.

Amounts owed to credit institutions as at 30.06.2016:

Objective	Credit line attached to credit card
Amount	lei 20,000
Maturity	13.09.2016
Securities	Movable security without dispossession of balances of current accounts.

SC Biofarm SA did not submit securities and did not pledge, mortgage respectively own assets to guarantee obligations in favour of a third party.

1.2. Profit and loss account

The profit and loss account statement as at 30 June 2016 was the following:

Description	For the period ended as at		%2016 vs. 2015
	30 June 16	30 June 15	
Income from sales	69,196,867	70,233,396	-1%
Other operating income	91,092	406,892	
Change in inventories	(402,650)	3,332,810	
Total operating expenses	50,732,831	55,506,296	-9%
Operating profit/(loss)	18,152,478	18,466,802	-2%
Net financial income/(costs)	<u>259,763</u>	<u>480,300</u>	
Profit before tax	18,412,241	18,947,102	-3%
Tax expenses	3,199,638	3,912,548	
Profit	15,212,603	15,034,554	1%

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

Description	For the period ended as at		2016% vs. 2015
	30 June 16	30 June 15	
Raw materials and consumables	18,236,126	20,641,055	-12%
Personnel expenditures	11,442,494	10,473,060	9%
Amortisation	3,300,229	3,229,648	2%
Other operating expenses	17,753,981	21,162,533	-16%
	50,732,831	55,506,296	-9%

Due to the negative trend of the pharmaceutical market, the turnover decreased by approximately 1% as at 30 June 2016 as compared to the same period of last year and the net result on the same date is increasing by approximately 1% as compared to the same period of last year.

1.3. Cash flow

Cash flow 1st semester of 2016:

Net cash from operating activities	16,659,871
Net cash from investing activities	(9,613,834)
Net cash from financing activities	(11,445)
Net increase of cash and cash equivalents	7,034,592
Cash and cash equivalents on 31.12.2015	30,331,720
Cash and cash equivalents on 30.06.2016	37,366,312

In the first semester of 2016, as the company improved the collection of trade receivables and paid suppliers at an average term of 70 days, cash and cash equivalent of the company increasing by lei 7,034,592.

1.4. Indices

CAPITAL PROFITABILITY AND PRODUCTIVITY

30 June 2016

Effectiveness of available capital

Profit before interest and tax (A)	18,412,241
Available capital (B)	183,291,591
A/B	10.05%

Effectiveness of equity

Net profit (A)	15,212,603
Equity (B)	182,881,355
A/B	8.32%

Operational profit rate

Profit before interest and tax (A)	18,412,241
Operating income (B)	68,885,309
A/B	26.73%

Net profit rate

Net profit (A)	15,212,603
Total income (B)	69,145,072
A/B	22.00%

Total assets rate

Profit before interests and tax (A)	18,412,241
Total assets (B)	219,685,403
A/B	8.38%

SOLVENCY

30 June 2016

Debt ratio

Total liabilities (A)	36,804,049
Total assets (B)	219,685,403
A/B	16.75%

Rate of financial autonomy

Equity (A)	182,881,355
Total assets less net current liabilities (B)	183,291,591
A/B	99.78%

LIQUIDITY AND WORKING**CAPITAL****30 June 2016****Rate of general liquidity**

Current assets	123,274,653
Current liabilities	36,393,813
(A/B)	3.39

Rapid rate of liquidity

Current assets	123,274,653
Inventories	18,263,618
Current liabilities	36,393,813
(A-B)/C	2.89

Period of cashing from customers

Trade receivables (A)	59,984,762
Net turnover (B)	69,196,867
(A/B)*365- days	158

Period of inventories immobilisation

Inventories (A)	18,263,618
Net turnover (B)	69,196,867
(A/B)*365- days	48

Period of suppliers' payment

Suppliers (A)	14,466,216
Material and external expenses (B)	37,432,742
(A/B)*365- days	71

2. Analysis of commercial company activity

During the first semester of 2016, Biofarm maintained itself within the market trend and maintained its position among the first 10 Romanian manufacturers in terms of sales of commercial units. The value of income from net sales performed during the first semester of 2016 was of lei 69,196,867, decreasing by 1% in comparison with the first semester of 2015.

3. Share capital

During the first semester of 2016, no share capital variations were registered, its value being of lei 98,537,535, with a nominal value per share of 0.1 RON.

The shareholding structure on 30.06.2016 was the following:

Source of information: DEPOZITARUL CENTRAL

Shareholder	Shares	Percentage
S.I.F. MUNTENIA, BUCHAREST locality, 4 th CITY DISTRICT	502,379,066	50.9835 %
S.I.F. BANAT-CRISANA S.A., ARAD locality, ARAD county	217,377,302	22.0604 %
SIF MOLDOVA, BACAU locality, BACAU county	134,207,209	13.6199 %
Other shareholders/others	119,963,020	12.1743 %
A.S.A.A. Bucharest locality, 1 st CITY DISTRICT	11,448,753	1.1619 %
TOTAL	985,375,350	100 %

As at 30.06.2016, the company has the following working points:

- Bucharest, no. 42-44 Iancu de Hunedoara Blvd, 1st City District, tax identification number 14008268.
- Bucharest, no. 202-226 Gura Badicului Street, warehouse for finished products distribution, tax identification number 30037915.
- Cluj Napoca, no. 206, Traian Vuia Street, tax identification number 26585871, warehouse for finished products distribution.
- Craiova, no. 120, A Decebal Blvd., warehouse for finished products distribution.
- Arad, no. 1 Câmpul Liniștii Street, warehouse for finished products distribution.
- Constanța, no. 1 Interioara Street, warehouse for finished products distribution.
- Iași, no. 78 Aurel Vlaicu Street, warehouse for finished products distribution.

4. Changes affecting the capital and the management of the commercial company

4.1. Description of cases in which the commercial company failed to fulfil its financial obligations during the respective period.

This is not the case.

4.2. Description of any modification concerning the rights of transferable securities holders issued by the commercial company.

This is not the case.

5. Significant transactions

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**Chairman of the Board of Directors,
Dănuț Vasile**