
***Half-yearly report on
the economic and financial activity
of S.C. BIOFARM S.A- 1st semester of 2017***

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

The unique registration number 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 the securities issued by S.C. BIOFARM S.A. are traded is the Bucharest Stock Exchange, Premium category.

1. The economic and financial situation of S.C. Biofarm S.A. on 30.06.2017

The financial statements of SC Biofarm SA on 30.06.2017 are drafted in compliance with the International Financial Reporting Standards, the Interpretations and International Accounting Standards (collectively called IFRSs) issued by the Council for International Accounting Standards, as they are adopted by the European Union.

The financial statements of SC Biofarm SA on 30.06.2017 are not audited.

The financial statements are prepared under accrual accounting. Thus, the effects of transactions and of other events are recognised when transactions and events occur and are recorded in the accounting records and reported in the financial statements of the afferent periods.

Financial statements are drafted starting from the assumption that the company will continue its activity in the foreseeable future as well. The company has no intention or need to liquidate or to significantly reduce its activity.

1.1. Balance sheet concluded on 30.06.2017

Assets		
Description	30 June 2017	31 Dec 2016
Fixed assets	111,606,260	104,604,506
Current assets	138,895,300	134,656,039
TOTAL ASSETS	250,501,560	239,260,545
Current liabilities	49,058,492	41,694,892
Long-term liabilities	419,154	419,154
TOTAL LIABILITIES	49,477,646	42,114,046
NET ASSETS	201,023,914	197,146,499

Share capital and reserves

Description	30 June 2017	31 Dec 2016
Share capital	98,537,535	98,537,535
Own shares	(813)	(813)
Premiums related to the issue/redemption of own shares	(173,154)	(173,154)
Revaluation reserves	1,379,344	1,379,344
Reserves	63,807,910	53,131,107
Retained earnings	16,844,295	16,844,295
Current result	20,628,797	29,477,747
Profit distribution	-	(2,049,562)
TOTAL CAPITALS	201,023,914	197,146,499

Fixed assets

On 30.06.2017, the company owns:

- the land located in strada Iancu de Hunedoara nr. 40-42;
- the land from strada Drumul Gura Badicului nr. 202-232.

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

In the first semester of 2017, investments were carried out in the amount of Ron 8,440,065.

The structure of tangible assets on 30 June 2017 is the following:

TANGIBLE ASSETS	30 June 2017	31 Dec 2016
Lands and buildings	16,949,745	17,585,411
Technical installations and machines	18,200,665	18,478,453
Other installations, machinery and furniture	595,356	335,801
Tangible assets under execution	61,579,891	55,997,737
TOTAL	97,325,657	92,397,401

Inventories

The structure of inventories on 30.06.2017 is the following:

Inventories	30 June 2017	31 Dec 2016
Raw materials and consumables	12,461,889	12,709,130
Adjustments	(729,835)	(866,425)
Production under progress and semi-finished products	1,151,081	1,573,899
Finished products	5,742,300	3,802,881
Adjustments	(836,881)	(848,531)
Goods	2,052,386	2,633,839
TOTAL	19,840,940	19,004,793

Trade receivables

The trade receivables of the Biofarm SA company increased on 30.06.2017 as compared to 31.12.2016, due to the increase in sales from the first semester of 2017.

Trade receivables and similar	30 June 2017	31 Dec 2016
Trade receivables	95,557,370	87,747,356
Adjustments for trade receivables	(18,630,538)	(15,409,887)
	76,926,832	72,337,469

<u>Long-term and short-term liabilities</u>	30 June 2017	31 Dec 2016
Current liabilities	49,058,492	41,694,892
Long-term liabilities	419,154	419,154
	49,477,646	42,114,046

The obligations to the state budget and local budgets, respectively taxes, special funds, and fees were paid at the due date.

On 30.06.2017, Biofarm SA did not owe amounts to credit institutions.

Biofarm SA did not submit guarantees and did not pledge, respectively did not mortgaged own assets to guarantee some obligations in favour of a third party.

1.2. Profit and loss account on 30.06.2017

	For the period concluded on		2017% vs. 2016
	30 June 2017	30 June 2016	
Income from sales	82,377,628	69,196,867	19%
Other operating revenues	241,022	91,092	
Changes in inventories	1,225,191	-402,650	
Total operating expenses	59,224,883	50,732,831	17%
Operating profit/ (loss)	24,618,958	18,152,478	36%
Net financial incomes / (costs)	83,195	259,763	
Profit/ (loss) before tax	24,702,153	18,412,241	34%
Expenses with taxes	4,073,356	3,199,638	
Profit / (loss)	20,628,797	15,212,603	36%

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

Description	For the period concluded on		%2017 vs.2016
	30 June 2017	30 June 2016	
Raw materials and consumables	19,669,007	18,236,126	8%
Personnel expenses	11,869,254	11,442,494	4%
Amortisation	3,038,134	3,300,229	-8%
Other operating expenses	24,648,488	17,753,981	39%
	59,224,883	50,732,831	17%

1.3. Cash flow

Cash flows 1st semester of 2017:

Net cash from operating activities	8,979,534
Net cash from investment activities	(8,207,379)
	(29,320)
Net cash from financing activities	
Net increase in cash and cash equivalents	742,835
Cash and cash equivalents on 31.12.2016	35,643,669
Cash and cash equivalents on 30.06.2017	36,386,504

1.4 Indicators

CAPITAL PROFITABILITY AND RETURN

30 June 2017

Efficiency of available capital

Profit before interests and tax (A)	24,702,153
Available capital (B)	201,443,068
A/B	12.26%

Equity efficiency

Net profit (A)	20,628,797
Own capital (B)	201,023,914
A/B	10.26%

Rate of the operating profit

Profit before interests and tax (A)	24,702,153
Operating income (B)	83,843,841
A/B	29.46%

Net profit rate

Net profit (A)	20,628,797
Total income (B)	83,927,036
A/B	24.58%

Rate of total assets

Profit before interests and tax (A)	24,702,153
Total assets (B)	250,501,560
A/B	9.86%

SOLVENCY

30 June 2017

Debt rate

Total obligations (A)	49,477,646
Total assets (B)	250,501,560
A/B	19.75%

Rate of financial autonomy

Equity (A)	201,023,914
Total assets less net current liabilities (B)	201,443,068
A/B	99.79%

LIQUIDITY AND WORKING CAPITAL**30 June 2017****General liquidity rate**

Current assets 138,895,300

Current obligations 49,058,492

(A/B) 2.83**Rapid liquidity rate**

Current assets 138,895,300

Inventories 19,840,939

Current obligations 49,058,492

(A-B)/C 2.43**Customer collection period**

Trade receivables (A) 76,926,832

Net turnover (B) 82,377,628

(A/B)*180- days 168**Period of inventory immobilisation**

Inventories (A) 19,840,939

Net turnover (B) 82,377,628

(A/B)*180- days 43**Period of suppliers' payment**

Suppliers (A) 23,956,812

Material and outside expenses (B) 52,718,228

(A/B)*180- days 82**2. Analysis of the business activity of the company**

The turnover and profit increase is based on the consistent application of managerial plans and on continuous monitoring of strategic directions for 2017. The most important actions of the company were directed towards careful analysis to increase yield and implicitly the turnover. These actions were possible based on the change of the commercial strategy, the reorganisation of the sales forces structure, the consolidation of internal and international markets, the release of new products, the maintenance of quality and the competitiveness of our products, the realisation of strategic partnerships, by investments and cooperation, to provide the premises for medium and long-term development of the company.

3. Share capital

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

The shareholding structure on 30.06.2017 was the following:

Information source: DEPOZITARUL CENTRAL

Shareholder	Shares	Percentage
S.I.F. MUNTENIA, BUCHAREST Locality, SECTOR 4	502,379,066	50.9835 %
S.I.F. BANAT-CRISANA S.A. ARAD Locality, ARAD County	228,826,055	23.2222 %
SIF MOLDOVA BACAU Locality, BACAU County	134,207,209	13.6199 %
Other shareholders / others	119,963,020	12.1743 %
TOTAL	985,375,350	100 %

On 30.06.2017 the company has the following working points:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, Tax Identification Number 14008268
- Bucharest, str. Gura Badicului, nr. 202-232, finished goods distribution warehouse, Tax Identification Number 30037915
- Cluj-Napoca, str. Traian Vuia, nr.206, Tax Identification Number 26585871, finished goods distribution warehouse.
- Craiova, Bulevardul Decebal, nr. 120, A, finished goods distribution warehouse.
- Arad, Campul Linistii, nr. 1, finished goods distribution warehouse.
- Constanta, str. Interioara, nr. 1, finished goods distribution warehouse.
- Iasi, str. Aurel Vlaicu, nr. 78, finished goods distribution warehouse.

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

4.1. Description of the cases in which the commercial company was unable to comply its financial obligations during the respective period.

This is not the case.

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

This is not the case.

5. Significant transactions

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