
***Half-yearly report on
the economic and financial activity
of S.C. BIOFARM S.A – 1st semester of 2018***

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. Economic and financial situation of S.C. Biofarm S.A. on 30.06.2018

The financial statements of SC Biofarm SA on 30.06.2018 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 30.06.2018 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 30.06.2018

Assets		
Description	30 June 2018	31 Dec 2017
Fixed assets	129,170,008	119,309,734
Current assets	139,358,655	143,070,908
TOTAL ASSETS	268,528,663	262,380,642
Current liabilities	48,211,674	45,545,874
Long-term liabilities	411,927	411,927
TOTAL LIABILITIES	48,623,601	45,957,801
NET ASSETS	219,905,062	216,422,841

Share capital and reserves

Description	30 June 2018	31 Dec 2017
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	81,113,502	66,537,026
Retained earnings	16,844,295	16,844,295
Current result	22,204,353	36,027,723
Profit distribution	-	(2,729,115)
TOTAL CAPITALS*	219,905,062	216,422,841

* to preserve data comparability, the impact of applying the IFRS 15 standard is not included, this being presented in the explanatory notes.

Fixed assets

On 30.06.2018, 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 2018 investments were carried out in the amount of 12,229,297.

The structure of tangible assets on 30 June 2018 is the following:

TANGIBLE ASSETS	30 June 2018	31 Dec 2017
Lands and buildings	17,331,935	16,323,756
Technical installations and machines	18,116,412	16,808,837
Other installations, machinery and furniture	447,531	512,389
Tangible assets under execution	76,763,737	70,530,457
TOTAL	112,659,615	104,175,439

Inventories

The structure of inventories on 30.06.2018 is the following:

Inventories	30 June 2018	31 Dec 2017
Raw materials and consumables	14,464,596	14,089,680
Adjustments	(873,571)	(1,156,344)
Production under progress and semi-finished products	1,552,192	1,714,608
Finished products	7,052,226	3,903,265
Adjustments	(657,265)	(1,227,254)
Goods	1,324,415	1,949,847
TOTAL	22,862,593	19,273,802

Trade receivables

The trade receivables of the Biofarm SA company decreased since 30.06.2018 as compared to 31.12.2017, mainly due to the improvement of the claims recovery term.

Trade receivables *	30 June 2018	31 Dec 2017
Trade receivables	83,220,813	100,027,554
Adjustments for trade receivables	(18,846,141)	(19,900,201)
	64,374,672	80,127,353

* to preserve data comparability, the impact of applying the IFRS 15 standard is not included, this being presented in the explanatory notes.

<u>Long-term and short-term liabilities</u>	30 June 2018	31 Dec 2017
Current liabilities	48,211,674	45,545,874
Long-term liabilities	411,927	411,927
	48,623,601	45,957,801

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

On 30.06.2018 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 30.06.2018

	For the period concluded on		%2018 vs. 2017
	30 June 2018	30 June 2017	
Income from sales	83,338,629	82,377,628	1%
Other operating revenues	398,342	241,022	
Changes in inventories	2,880,562	1,225,191	
Total operating expenses	60,461,488	59,224,883	2%
Operating profit/ (loss)	26,156,045	24,618,958	6%
Net financial incomes / (costs)	230,619	83,195	
Profit/ (loss) before tax	26,386,664	24,702,153	7%
Expenses with taxes	4,182,311	4,073,356	
Profit / (loss)*	22,204,353	20,628,797	8%

* to preserve data comparability, the impact of applying the IFRS 15 standard is not included, this being presented in the explanatory notes.

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

Description	For the period concluded on		%2018 vs. 2017
	30 June 2018	30 June 2017	
Raw materials and consumables	21,296,619	19,669,007	8%
Personnel expenses	13,331,549	11,869,254	12%
Amortisation	3,194,246	3,038,134	5%
Other operating expenses	22,639,074	24,648,488	-8%
	60,461,488	59,224,883	2%

1.3. Cash flow

Cash flows 1st semester of 2018:

Net cash from operating activities	21,301,608
Net cash from investment activities	(11,801,195)
	(53,329)
Net cash from financing activities	
Net increase in cash and cash equivalents	9,447,084
Cash and cash equivalents on 31.12.2017	37,389,727
Cash and cash equivalents on 30.06.2018	46,836,811

1.4 Indicators

CAPITAL PROFITABILITY AND RETURN

30 June 2018

Efficiency of available capital

Profit before interests and tax (A)	26,386,664
Available capital (B)	220,316,989
A/B	11.98%

Equity efficiency

Net profit (A)	22,204,353
Own capital (B)	219,905,062
A/B	10.10%

Rate of the operating profit

Profit before interests and tax (A)	26,386,664
Operating income (B)	86,617,534
A/B	30.46%

Net profit rate

Net profit (A)	22,204,353
Total income (B)	86,848,152
A/B	25.57%

Rate of total assets

Profit before interests and tax (A)	26,386,664
Total assets (B)	268,528,663
A/B	9.83%

SOLVENCY

30 June 2018

Debt rate

Total obligations (A)	48,623,601
Total assets (B)	268,528,663
A/B	18.11%

Rate of financial autonomy

Equity (A)	219,905,062
Total assets less net current liabilities (B)	220,316,989
A/B	99.81%

LIQUIDITY AND WORKING CAPITAL**30 June 2018**

General liquidity rate	
Current assets	139,358,655
Current obligations	48,211,674
(A/B)	2.89
Rapid liquidity rate	
Current assets	139,358,655
Inventories	22,862,593
Current obligations	48,211,674
(A-B)/C	2.42
Customer collection period	
Trade receivables (A)	64,374,672
Net turnover (B)	83,338,629
(A/B)*180- days	139
Period of inventory immobilisation	
Inventories (A)	22,862,593
Net turnover (B)	83,338,629
(A/B)*180- days	49
Period of suppliers' payment	
Suppliers (A)	19,155,698
Material and outside expenses (B)	52,283,475
(A/B)*180- days	66

2. Analysis of the business activity of the company

In the first semester of 2018, Biofarm continued the consistent application of managerial plans and of agreed strategic directions. The most important actions of the company were oriented towards the analysis of costs to increase yield. These actions were possible based on the continuation of investments from previous years, the improvement of company strategies, the consolidation of internal markets, preserving the quality and competitiveness of products from the portfolio.

3. Share capital

In the first semester of 2018 there were no variations in the share capital, its value being of lei 98,537,535 with a nominal value per share of RON 0.1.

The shareholding structure on 30.06.2018 is the following:

Source of information: 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	133,777,508	13.5763 %
Other shareholders / others	120,392,721	12.2180 %
TOTAL	985,375,350	100 %

On 30.06.2018, the company has the following working points additional to the one from the office address of str. Logofatul Tautu, nr. 99:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, Tax Identification Number 14008268
- Bucharest, str. Gura Badicului, nr. 202-232, 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

This is not the case.

**Chairman of the Board of Directors,
Daniela Traiana Comsa**
