



Report on the economic and financial activity of 3st quarterly of 2019

BIOFARM S.A. has its registered office in Bucharest, Logofatul Tautu street, nr. 99, sect. 3 and has as main activity object the production and marketing of medicinal products for human use, NACE code 2120 "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 the securities issued by BIOFARM S.A. are traded is the Bucharest Stock Exchange, Premium category.

1. Economic and financial situation of Biofarm S.A. on 30.09.2019

The financial statements of Biofarm SA on 30.09.2019 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 30.09.2019 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 30.09.2019

<i>Assets</i>		
Description	30 Sep 2019	31 Dec 2018
Fixed assets	140.545.854	131.169.955
Current assets	179.247.831	154.292.186
TOTAL ASSETS	319.793.685	285.462.141
Current debts	62.986.524	59.594.662
Long-term debts	448.964	448.964
TOTAL DEBTS	63.435.488	60.043.626
NET ASSETS	256.358.197	225.418.515

Share capital and reserves

Description	30 Sep 2019	31 Dec 2018
Share capital	98.537.535	98.537.535
Own shares	(813)	(813)
Premiums related to the issue/redemption of own shares	(173.154)	(173.154)
Revaluation reserves	1.967.642	1.967.642
Reserves	110.322.191	84.359.176
Retained earnings	5.548.864	5.548.864
Current result	40.155.930	38.424.940
Profit distribution	-	(3.245.675)
TOTAL CAPITALS	256.358.197	225.418.515

Fixed assets

On 30.09.2019 the company owns:

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

The land in use from Logofat Tautu street, 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 third quarter of 2019 investments were carried out in the amount of 14.824.467.

The structure of tangible assets on 30 September 2019 is the following:

TANGIBLE ASSETS	30 Sep 2019	31 Dec 2018
Lands and buildings	49.882.262	14.581.213
Technical installations and machines	10.756.752	13.296.400
Other installations, machinery and furniture	308.121	478.107
Tangible assets under execution	63.457.078	85.787.977
TOTAL	124.404.213	114.143.697

The tangible fixed assets under execution have decreased and the value of the buildings has increased due to the reception of the building destined for the production from Drumul Gura Badicului 202-232 street.



Inventories

The structure of inventories on 30.09.2019 is the following:

Inventories	30 Sep 2019	31 Dec 2018
Raw materials and consumables	11.585.913	14.346.563
Adjustments	(1.505.139)	(1.764.941)
Production under progress products	1.425.512	2.132.034
Finished products	7.413.198	3.817.252
Adjustments	1.009.007	1.123.389
Goods	(789.694)	(820.273)
TOTAL	19.138.797	18.834.024

Trade receivables

The trade receivables of the Biofarm SA company decreased on 30.09.2019 as compared to 31.12.2018, mainly due to the improvement of the claims recovery term.

<u>Trade receivables</u>	30 Sep 2019	31 Dec 2018
Trade receivables	82.696.498	106.120.321
Adjustments for trade receivables	(19.115.363)	(22.369.266)
	63.581.135	83.751.055

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

On 30.09.2019 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 30.09.2019

	For the period concluded on		%2019 vs.2018
	30 Sep 2019	30 Sep 2018	
Income from sales	140.143.660	130.782.988	7%
Income for IFRS 15 adjustment	(4.627.703)	-	
Other operating revenues	632.251	470.546	
Changes in inventories	2.878.818	752.171	
Total operating expenses	89.715.611	89.605.187	0%
Operating profit/ (loss)	49.311.415	42.400.518	16%
Net financial incomes / (costs)	1.102.754	444.390	
Profit/ (loss) before tax	50.414.169	42.844.908	18%
Expenses with taxes	10.258.239	6.747.739	
Profit / (loss)*	40.155.930	36.097.169	11%

The company applied IFRS 15 for the first time at the drafting of annual financial statements for 2018 using the method of cumulative effect. The impact from the application of this standard represented a decrease of revenues of the period with the amount of lei 4.627.703. Additionally, the company recorded deferred income in the amount of lei 22.689.072, an amount representing the natural rebate debt which the company will subsequently grant.

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

Description	For the period concluded on		%2019 vs.2018
	30 Sep 2019	30 Sep 2018	
Raw materials and consumables	27.812.644	29.979.220	-7%
Personnel expenses	22.101.394	20.408.435	8%
Amortisation	4.933.536	4.880.689	1%
Other operating expenses	34.868.037	34.336.843	2%
	89.715.611	89.605.187	0%



1.3. Cash flow

Cash flows 3st quarterly of 2019:

Net cash from operating activities	62.895.223
Net cash from investment activities	(7.786.183)
Net cash from financing activities	(9.370.534)
Net increase in cash and cash equivalents	45.738.506
Cash and cash equivalents on 31.12.2018	45.632.578
Cash and cash equivalents on 30.09.2019	91.371.084

1.4 Indicators

CAPITAL PROFITABILITY AND RETURN

30 Sep 2019

Efficiency of available capital

Profit before interests and tax (A)	50.414.169
Available capital (B)	256.807.161
A/B	19.63%

Equity efficiency

Net profit (A)	40.155.930
Own capital (B)	256.358.197
A/B	15.66%

Rate of the operating profit

Profit before interests and tax (A)	50.414.169
Operating income (B)	139.027.026
A/B	36.26%

Net profit rate

Net profit (A)	40.155.930
Total income (B)	140.129.780
A/B	28.66%

Rate of total assets

Profit before interests and tax (A)	50.414.169
Total assets (B)	319.793.685
A/B	15.76%

SOLVENCY

30 Sep 2019

Debt rate

Total obligations (A)	63.435.488
Total assets (B)	319.793.685
A/B	19.84%

Rate of financial autonomy

Equity (A)	256.358.197
Total assets less net current liabilities (B)	256.807.161
A/B	99.83%

LIQUIDITY AND WORKING CAPITAL
30 Sep 2019

General liquidity rate	
Current assets	179.247.831
Current obligations	62.986.524
(A/B)	2.85
Rapid liquidity rate	
Current assets	179.247.831
Inventories	19.138.797
Current obligations	62.986.524
(A-B)/C	2.54
Customer collection period	
Trade receivables (A)	63.581.135
Net turnover (B)	140.143.660
(A/B)*270- days	122
Period of inventory immobilisation	
Inventories (A)	30.661.800
Net turnover (B)	140.143.660
(A/B)*270- days	59
Period of suppliers' payment	
Suppliers (A)	23.514.858
Material and outside expenses (B)	74.590.010
(A/B)*270- days	85

2. Analysis of the business activity of the company

In the first three quarters of 2019, 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 three quarters of 2019 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.

On 30.09.2019, the company has the following working points additional to the one at the address of the registered office from. Logofatul Tautu street, nr. 99:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, tax identification number 14008268
- Bucharest, Gura Badicului street, nr. 202-232, warehouse for the distribution of finished products, tax identification number 30037915.

In the second quarterly of 2019, the Board of Directors decided to close the working points from Cluj-Napoca, Craiova, Arad, Constanta and Iasi.

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.

Andrei Hrebenciuc
B.D. Chairman