

**Report on the Economic-Financial Activity
of the 1st Quarter of 2020**

BIOFARM S.A. has its registered office in Bucharest, str. Logofățul Tăutu nr. 99, sector 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 S.C. BIOFARM S.A. are traded is the Bucharest Stock Exchange, Premium category.

1. Economic - Financial Situation of Biofarm S.A. on 31.03.2020

The financial statements of Biofarm SA on 31.03.2020 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 Biofarm SA on 31.03.2020 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 31.03.2020

Assets

Description

Fixed assets

Current assets

TOTAL ASSETS

Current debts

Long-term debts

TOTAL DEBTS

NET ASSETS

31 March 2020

31 Dec 2019

147.171.454

143.825.906

219.994.887

202.790.764

367.166.341

346.616.670

90.740.095

88.779.341

606.998

606.998

91.347.093

89.386.339

275.819.248

257.230.331



Share capital and reserves

Description	31 March 2020	31 Dec 2019
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	101.914.398	101.914.398
Retained earnings	56.430.683	5.548.864
Current result	18.588.917	50.881.819
Profit distribution	(1.445.960)	(1.445.960)
TOTAL CAPITALS	275.819.248	257.230.331

Fixed assets

On 31.03.2020 the company owns:

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

The land in use from 99 Logofățul Tăutu street, 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.

In the first quarter of 2020, investments were carried out in the amount of lei 4.771.217.

The structure of tangible assets on 31.03.2020 is the following:

TANGIBLE ASSETS	31 March 2020	31 Dec 2019
Lands and buildings	57.878.135	55.517.011
Technical installations and machines	39.791.138	39.087.509
Other installations, machinery and furniture	206.277	262.767
Tangible assets under execution	31.095.726	31.587.020
TOTAL	128.971.276	126.454.307



Inventories

The structure of inventories on 31.03.2020 is the following:

Inventories	31 March 2020	31 Dec 2019
Raw materials and consumables	14.440.083	11.543.155
Adjustments	(1.953.042)	(1.953.042)
Production under progress and semi- finished products	2.327.862	2.082.698
Finished products	3.820.133	6.527.309
Adjustments	699.751	793.393
Goods	(802.391)	(704.106)
TOTAL	18.532.396	18.289.407

Trade receivables

The trade receivables of Biofarm SA company increased in the first quarter of 2020 as compared to the end of 2019 mainly due to the sales increase during this period.

Trade receivables	31 March 2020	31 Dec 2019
Trade receivables	115.015.941	102.728.069
Adjustments for trade receivables	(17.419.721)	(17.634.117)
	97.596.220	85.093.952

Debts

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

On 31.03.2020 Biofarm SA did not owe amounts to credit institutions.

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

Trade and similar debts	31 March 2020	31 Dec 2019
Trade debts	37.371.272	36.706.704
Suppliers of fixed assets	362.929	695.943
Debts related to employees	697.709	862.997
Taxes and social contributions	2.907.487	1.589.025
Other tax debts	583.233	248.779
Other debts	1.937.759	1.597.565
Dividends	3.572.869	12.856.523
Advances	(14.857)	(15.032)
TOTAL	47.418.401	54.542.504



1.2. Profit and Loss Account on 31.03.2020

	For the period concluded on		2020 vs.2019 %
	31 March 2020	31 March 2019	
Income from sales	69.309.746	52.599.661	32%
Income for IFRS 15 adjustment	(5.268.498)	(3.928.298)	
Other operating revenues	139.347	125.061	
Changes in inventories	(2.463.167)	(87.244)	
Total operating expenses	38.351.150	28.307.030	35%
Operating Profit/(Loss)	23.366.278	20.402.150	15%
Net financial income/(costs)	463.896	302.392	
Profit/(Loss) before tax	23.830.174	20.704.542	15%
Expenses with taxes	5.241.257	4.479.408	
Profit / (Loss)	18.588.917	16.225.134	15%

The impact from the application of the IFRS 15 standard represented a decrease of revenues of the period with the amount of lei 5.268.498. Additionally, the company recorded deferred income in the amount of lei 30.763.663, 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:

	For the period concluded on		%2020 vs.2019
Description	31 March 2020	31 March 2019	
Raw materials and consumables	9.653.796	9.206.223	5%
Personnel expenses	8.752.799	7.032.390	24%
Amortisation	2.682.373	1.684.710	59%
Other operating expenses	17.262.182	10.383.707	66%
	38.351.150	20.402.150	35%



1.3. Cash Flow

Cash flows 31 March 2020

Net flow from operating activities	18.097.042
Net flow from investment activities	(4.301.837)
Net flow from financing activities	(9.283.655)
Net increase in cash and cash equivalences	4.511.550
Cash and cash equivalences on 31.12.2019	91.128.639
Cash and cash equivalences on 31.03.2020	95.640.189



1.4 Statement of Changes in Equities

	Subscribed capital	Own shares	Share issuance losses	Reserves	Reported and current result	TOTAL
31-Dec-18	98.537.535	(813)	(173.154)	86.326.818	40.728.130	225.418.515
Current and reported comprehensive income	-	-	-	-	50.881.819	50.881.819
Allocations of legal reserve	-	-	-	1.445.960	(1.445.960)	-
Allocations of fiscal facility reserve	-	-	-	-	-	-
Allocations of other reserves	-	-	-	15.471.757	(15.471.757)	-
Allocations of other revaluation reserves	-	-	-	-	-	-
Prescribed dividends	-	-	-	637.505	-	637.505
Distributed dividends	-	-	-	-	(19.707.508)	(19.707.508)
31-Dec-19	98.537.535	(813)	(173.154)	103.882.040	54.984.724	257.230.331
Current and reported comprehensive income	-	-	-	-	18.588.917	18.588.917
Allocations of legal reserve	-	-	-	-	-	-
Allocations of fiscal facility reserve	-	-	-	-	-	-
Allocations of other reserves	-	-	-	-	-	-
Allocations of other revaluation reserves	-	-	-	-	-	-
Prescribed dividends	-	-	-	-	-	-
Distributed dividends	-	-	-	-	-	-
31-Mar-20	98.537.535	(813)	(173.154)	103.882.040	73.573.641	275.819.248

99 Logofățul Tăutu street, Bucharest 3, 031212, Romania
T: +40 21 301 0600; F: +40 21 301 0605; Email: office@biofarm.ro; biofarm.ro

Share capital 98.537.535 lei, fully subscribed and paid-up, RO341563, J40/199/5.02.1991
Account RO26 BRDE 441 SV 28095 174410 BRD Decebal Branch



1.5 Economic-Financial Indicators

CAPITAL PROFITABILITY AND RETURN

31 March 2020

Efficiency of available capital

Gross profit (A)	23.830.174
Available capital (B)	276.426.246
A/B	8.62%

Equity efficiency

Net profit (A)	18.588.917
Own capital (B)	275.819.248
A/B	6.74%

Operational profit rate

Gross profit (A)	23.830.174
Operating income (B)	61.717.429
A/B	38.61%

Net profit rate

Net profit (A)	18.588.917
Total income (B)	62.181.325
A/B	29.89%

Rate of total assets

Gross profit (A)	23.830.174
Total assets (B)	367.166.341
A/B	6.49%

SOLVENCY

31 March 2020

Debt rate

Total obligations (A)	91.347.093
Total assets (B)	367.166.341
A/B	24.88%

Rate of financial autonomy

Equity (A)	275.819.248
Total assets less net current debts (B)	276.426.246
A/B	99.78%



**LIQUIDITY AND WORKING
CAPITAL**

31 March 2020

Rate of general liquidity

Current assets	219.994.887
Current obligations	90.740.095
(A/B)	2.42

Rapid liquidity rate

Current assets	219.994.887
Inventories	18.532.396
Current obligations	90.740.095
(A-B)/C	2.22

Customer collection period

Trade receivables (A)	97.596.220
Net turnover (B)	69.309.746
(A/B)*90 days	127

Period of inventory immobilisation

Inventories of finished products and goods (A)	15.980.282
Net turnover (B)	69.309.746
(A/B)*90 days	21

Payment period of suppliers

Suppliers (A)	37.371.272
Material and external expenses (B)	32.030.016
(A/B)*90 days	105



2. Company Business Activity Analysis

During the first quarter of 2020, 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 quarter of 2020, there were no variations in the share capital, its value being of lei 98.537.535, with a nominal value per share of 0,1 RON.

On 31.03.2020, the company has the following working points additional to the one at the address of the registered office from 99 Logofatul Tautu street:

- Bucharest, Bd-ul Iancu de Hunedoara, nr. 42-44, sector 1, tax identification number 14008268;
- Bucharest, 202-232 Gura Badicului street, warehouse for the distribution of finished products, tax identification number 30037915.

4. Changes Affecting the Capital and the Commercial Company Management

4.1. Description of the cases in which the commercial company was unable to comply with 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.

6. Subsequent Events

BIOFARM S.A. company adopted together with the occurrence of COVID-19 all the necessary measures to comply with the recommendations formulated by the authorities in order to prevent/limit the spreading of COVID-19 and takes all steps for information dissemination to be carried out correctly, completely and within the legal conditions.

Biofarm responds to the challenges brought by the wave of illnesses with COVID-19 according to the principles and values assumed by the company and continues its activity in order to cover the requests of our clients. Through a responsible behaviour, the company took and will take all the steps necessary for its employees to be safe, and for patients to not feel an additional stress related to the treatment they follow.

Due to the fact that the conditions of Romanian patients remain the same during the pandemic and their treatments cannot be postponed, Biofarm took all the measures for the company activity to be carried out without syncope. In this respect, Biofarm has



made sure that it has the necessary inventories of raw materials in order for the production flow to be carried out in the usual way.

Biofarm understands and complies with the decisions made by the Romanian authorities to limit the spread of SARS-CoV-2 virus, as such, company representatives are constantly informed about these decisions and put them into practice. Therefore, in order to comply with the repeated request of the authorities for social distancing, part of company employees carry out and will carry out their activity from home during the pandemic. Employees who are involved in the manufacturing processes (directly and indirectly productive), on which the actual production depends, comply with the working schedule adapted to the *de facto* situation.

During this period, we support the decisions made by the sanitary authorities, we follow their recommendations carefully and we applied within the company a series of additional measures for the safety of our colleagues.

Andrei Hrebenciuc
B.D. Chairman

