



Preduzeće za proizvodnju, promet na veliko i malo,  
export - import

PIB: 02327066 PDV: 30/31-01043-7



ISO 9001:2000  
valid until:  
14.04.2016.

www.farmont.com  
0 310300010

## EXCERPT FROM BUSINESS PLAN Project - BUSINESS PRODUCTION CENTER FARMONT

### 1 PROJECT CONTENT AND COMPANY BUSINESS PROFILE

Farmont M.P. d.o.o. is a company that was founded in 2001., it belongs to the group of small and medium enterprises. Core business is distribution of medicines, medical devices and sanitary supplies to retail and wholesale, and recently plantation cultivation, purchase and processing of medicinal herbs and forest fruits.

Company has within the scope of its **development**, considering Montenegrin and regional markets needs, made the decision to realize Investment program - Business Production center with two compatible production programs:

- MEDICINE (DRUGS) PRODUCTION,
- PURCHASING AND PROCESSING OF MEDICINAL AND AROMATIC HERBS AND WILD FRUIT (PLANTATION GROWING AND REPURCHASE), as well as MODERN DISTRIBUTIVE CENTER (current activity )

Recent implementation of Phase I of the Project and moving to a new location in Kosic - Danilovgrad in the business area of approximately 900 m<sup>2</sup> on a total land surface of 12,060 m<sup>2</sup>. FARMONT next to present - MODERN DISTRIBUTIVE ACTIVITY, began validation activities with Montenegro Agency for medicines in part of newly built office space intended for - SECONDARY PRODUCTION OF MEDICINES. With this FARMONT would become only manufacturer of a wide range of medicines in Montenegro.

FARMONT, therefore, consists of:

- Modern distributive centre in newly built business space in Kosic - Danilovgrad - **FARMONT property**;
- Secondary medicine production in newly built business space in Kosic - Danilovgrad (in phase of validation) - **FARMONT property**;
- Pharmacy MEDEONFARM - Bul. Sv. Petra Cetinjskog br.45, Podgorica - long term lease;
- Pharmacy MEDEONFARM 1 - Masline bb (near health center), Podgorica - long term lease;
- Land in Kosic - Danilovgrad - total area of 12,000 m<sup>2</sup>, where next to implemented Phase I, started construction of business centre Phase II of Investment (completed foundations, earthworks and infrastructure for total primary production of medicines and processing of medicinal herbs and forest fruits) - **FARMONT property**;
- Agricultural Cooperative in northern Montenegro Murino - Municipalities Plav, area of approximately 93,032 m<sup>2</sup> with 100.000 raspberry seedlings and 3000 chokeberry seedlings, irrigation system drop by drop on entire complex, and business space of 756 m<sup>2</sup> with installed cooler, dryer and chambers for frozen program (4 chambers) - **FARMONT property**.

10.7.2014 / 3752

Beside its pharmacies FARMONT directly or indirectly supplies all pharmacies in private sector on Montenegro territory, as well as clinics in private sector.

In addition to private sector FARMONT has big part in supplying state-health through tenders, from medicines to consumable medical supplies and equipment.

FARMONT has all services: financial, comercial and delivery service, and employs 35 workers. Team that Farmont possess is a group of responsible, educated and professional people of different profiles: pharmacists, doctors, economists, biologists, correspondents, pharmaceutical assistants, IT experts and logistic assistants.

Farmont established cooperation and made partnership with many successful companies from region and world, in form of legal distributor and exclusive representative of several major companies, among whom:

Medicines:

- Abbot - USA
- Baxter AG Vienna
- Bosnalijek Bili
- Jadran Galenski laboratorij-Rijeka, Croatia
- HBSA - Switzerland .....

Medical devices:

- Beclon Dickinson
- Boston Scientific
- Eliecth
- Schiller
- Tosama - Slovenia.....

**FARMONT business profile, among other, is:**

- Since its beginning (2001.) FARMONT records, every year, positive results, Company has constant turnover increase in average 10 to 15% yearly, with the fact that in world economy crisis year 2009, increase in turnover and other indicators of business was around 25%, and in last 2010., 2011., and 2012, Increase in turnover was around 15%
- FARMONT's bank account since its beginning has never been blocked.
- FARMONT credit history is flawless - classification A ...
- FARMONT has its own highly educated staff - wife, son, daughter, and nephew are pharmacists and a technologist with finished specialized studies - Industrial chemistry, quality control ...

## **I. PRODUCTION OF MEDICINES AND MARKET**

Considering that Montenegro as state do not have wide palette production of drugs, which for every state is of strategic importance, company FARMONT within its plans has production program included **five (5) group of medicines and forty names (40) (different forms and streight)**,

- *Analgesics and antipyretics, ( 1 name)*
- *Anti inflammatory and anti rheumatic ( 3 names)*
- *Medicines for acidity disorder, treatment of peptic ulcer and gastro esophageal reflux ( 6 names),*
- *Medicines that act on cardiovascular system (22 names),*
- *Anti infective medicines for systematic use (8 names)*

It is significant to emphasize the possibility of technological link of this production with manufacturing of medicinal and aromatic plants, as production of drugs based on medicinal herbs is getting more and more important direction in which pharmaceutical production in the world is going, particularly in Europe.

Montenegro market, except for infusion solutions, some ophthalmology drops, and one gastroenterology preparation (Planivin BS), is fully supplied from import so FARMONT will, with planned production, be the only manufacturer in Montenegro with a wide range of medicines.

Yearly Tender value for supplying public health is 28.000.000,00 €. Commercial sale is almost at the same spending level as in public health, with certain deduction for medical devices, which means that the amount of 50 million euro is real annual consumption of medicines in Montenegro.

Manufacturing cost, planned by the Project, would be 2.250.000 €, meaning 4,5% of yearly consumption in Montenegro, which will provide FARMONT relaxed returning of its credit obligations. Having in mind that all domicile factories in the region have a share in their domestic market of minimum 20 - 30 % and more, meaning there are significant reserves for much greater participation than planned and cost effective 4,5% to realistic 20 - 30 % in supplying Montenegro health.

Export is a reality given that Montenegro has a relaxed economic and other relations with countries in the region.

It should be emphasized - ability to export to Russia and countries of former SSSR with which Montenegro has agreement for customs duties on goods from Montenegro to Russia with only 1% customs - in the name of customs records.

Due to this fact - minimum burden of export, as well as some FARMONT business connections with that area we estimate as significant and realistic - ability to export to that region.

## 2. PROCESING OF MEDICINAL HERBS FOREST FRUITS (PLANTATION GROWING AND REPURCHASE) AND MARKET

Products, which would be produced with realization of this program, have well-known characteristics, and are intended for human consumption (as food, beverages and various spices) or as high quality raw materials for food, pharmaceutical and perfume industries, cosmetics, chemical industry etc.

In addition, these products are organic production and can be with great success classified in a biologically healthy food or healthy raw materials, which can be certified.

Production program is based on the purchase, collection and processing of medicinal and aromatic herbs, wild berries, fruits and vegetables, mushrooms, spice herbs, honey and their plantation growing by its own system of production and cooperate relations with potential collectors and manufacturers.

*Medicinal herbs and forest fruits:*

	Product type	Volume of production in tons
1	MEDICINAL AND AROMATIC PLANTS	200,50 t
2	FOREST FRUIT AND SEED	80,00 t
3	ESSENTIAL OILS	2,00 t
4	DRYED FRUIT AND VEGETABLES	25,00 t
5	MUSHROOMS	3,00 t
6	SPICES	16,00 t
7	DOMESTIC FILTER AND MEDICAL TEAS	35,00 t
8	HONEY AND HONEY PRODUCTS	15,50 t
9	BERRY FRUITS	1 510,00 t
10	WASCITS	7,50 t
	<b>TOTAL</b>	<b>1 894,50 TONNS</b>

The product range is defined with about 15 species of medicinal and aromatic herbs, around 10 species of forest fruits and seeds and 3-4 types of mushrooms.  
Results of previous knowledge and market researches indicate that there is unlimited demand for these products both on domestic and international markets.

Having in mind the scope and range of products, we can conclude that, over 90% of the products are placed on the foreign market (Germany, Austria, Italy, France, Swiss, SAD, former Yugoslavian countries etc.) - Martin Bauer, Josef Weber (Germany), Dr.Schaer (Italy) etc.

### 3. CAPITAL INVESTMENT

For realization of Pharmaceutical centre FARMONT which includes - drug production, processing of medicinal herbs and wild fruits and modern distributive centre, it is necessary, by biggest standards in this area (GMP, HASAP,...) to build a facility of total gross area of 6.945.61 m2.

Ground floor ..... 4.618.05 m2  
I floor ..... 1.163.78 m2  
II floor ..... 1.163.78 m2

**Total planned investment in the construction of Business - Production center FARMONT**

	total amount of investment	I Phase (finished)	II Phase
Estimated value of Investment	10.128.140.00	1.200.000.00	8.918.140.00
Investor participation	1.567.710.00	480.000.00	1.067.710.00
Loan funds	8.560.430.00	720.000.00	7.840.430.00

## II FINANCIAL PLAN AND PROJECTIONS

### a) Sales forecast by products

Sale will in next period of time, depending on products, based on experience from earlier period and estimations for next period grow from 5-20% each year.

As you can see sale forecast is not aggressive, it can be called as "realistic scenario" despite the apparent huge but unused potentials of Montenegro market.

### b) Existing business lines

Projected income is done on following assumptions:

- ↓ Income projection is done under the assumption of further growth and development of Company on existing ownership structure, meaning, without entering a strategic partner,
- ↓ Business plan, based on which was identified the possible net cash flow, is made for next five year period,
- ↓ Projection was made based on financial results of total income in period 2005-2012 and planned income growth in next five years on level of 5% per year in first three years and 3% per year in last two years

- ↓ Business is projected based on assumption of average total income growth. Income growth by individual lines of business would be different.

c) New business lines - production of drugs - ready made drugs

Montenegro market, as we mentioned before, except for infusion solutions, some ophthalmology drops, and one gastroenterology preparation (Plonivin BS), is fully supplied from import.

As stated above amount of 50 million euro is real annual consumption of drugs in Montenegro.

Given that in Business plan was entered with market coverage of only 4.5%, what allows return of the loan, it is obvious that there is large reserve from planned - modest placement (4.5%) to real 20-30%, as domestic factories in region cover their markets, which indicates significant economical reserves of the Program.

At this moment it doesn't calculate a sale possibility on foreign markets, based on already made conversations and announced possibilities for cooperation with major companies in this field "Bayer" and "Artesana"- Germany, in which case would be even better utilization of capacities, and economical effects would multiply

Costs from this production are done based on common "benchmark" standards in this area.

1. Production and sale forecast:

Activity	I year	II year	% growth compared to previous year	III year	% growth compared to previous year	IV year	% growth compared to previous year	V year	% growth compared to previous year
I Current activity	3.430.309	3.601.824	5%	3.781.916	5%	3.895.373	3%	4.012.294	3%
II Drug production	2.250.000	2.352.500	5%	2.480.625	5%	2.555.044	3%	2.631.695	3%
Total sale:	5.680.309	5.954.324		6.262.541		6.450.417		6.643.989	

2. Expense forecast

Expenses are divided, according to official form of calculation, in five major categories: direct costs of raw materials and costs of sold goods, other expenses and net finance costs.

Costs in mentioned years are based on historic data and their growth is determined depending on their character (fixed or variable with sub-versions).

In that way, cost projection of Company for monitored period was carried out on the following assumptions:

18.7.2014 / 3752

	I	II	III	IV	V
Direct costs of goods for existing business line	2,607,035	2,737,387	2,874,256	2,960,484	3,049,298
Direct costs for drug production	750,000	772,500	795,675	819,548	844,132
Fuel and energy cost for existing business line	12,193	12,761	13,143	13,538	13,904
Fuel and energy cost for drug production	43,100	44,393	45,725	47,097	48,509
Costs for auxiliary materials and maintenance for existing business line	215,345	226,111	232,896	239,882	247,079
Costs for auxiliary materials and maintenance for drugs	145,519	149,885	154,381	159,013	163,783
Manpower costs for existing business line	185,000	190,550	194,361	198,248	202,213
Manpower costs for drug production	92,500	95,275	97,181	99,124	101,107
Construction amortization on level of entire project	98,097	98,097	98,097	98,097	98,097
Amortization of equipment on level of entire project	381,867	381,867	381,867	381,867	381,867
Amortization of other investment costs of the project	92,700	92,700	92,700	92,700	92,700
Funding expenses - interests	581,647	521,991	462,335	402,679	343,023
Marketing	10,000	10,000	10,000	10,000	10,000
Insurance	10,000	10,000	10,000	10,000	10,000
Lease costs	5,252	5,252	5,252	5,252	5,252
Expenses for different kind of intellectual services, seminars, books . .	8,000	8,000	8,000	8,000	8,000
Vehicle registrations and maintenance	2,500	2,700	3,000	3,200	3,400
Telephone expenses	12,000	13,000	14,000	15,000	16,000
Expenses for representation and business trips	20,000	22,000	25,000	27,000	29,000
Authors fee	7,000	7,000	7,000	7,000	70,000
Costs for memberships, Chamber of commerce, Employers union	1,200	1,200	1,200	1,200	1,200
Property taxes and fees for use of construction land	1,000	1,200	1,400	1,600	1,800
Costs for utilities	800	800	900	1,000	1,100
Write offs of outstanding claims and supplies	20,000	20,000	20,000	20,000	20,000
Maintenance expenses	7,000	9,000	12,000	14,000	16,000
Bank services	4,000	5,000	6,000	7,000	8,000
<b>TOTAL COSTS:</b>	<b>5,919,515</b>	<b>5,438,669</b>	<b>5,566,268</b>	<b>5,642,526</b>	<b>5,785,504</b>

10.7.2014 / 3752

### 3. Projected balance sheet and cash flow

"Farmoni" expects to conclude first year with net profit in the amount of 333.783 € and fifth year with net profit in amount of 781.167 €, which is 11.76 % compared to volume of sale; with what is best confirmed pessimistic but because of that even safer approach in cost projection (current ratio of net profit and total income in Montenegro, in this industry, on level of app. 20%).

This growth is a result of increase in total income and reduced costs ("intern economy").

On next page is given table of projected balance sheet.

10.7.2014 / 3752

10.7.2014 / 3752

BALANCE SHEET WITH PROJECT											
No	POSITION / Year	1	2	3	4	5	6	7	8	9	10
1	Income	0	5.680.309	3.964.324	6.262.541	6.450.417	6.643.929	6.643.929	6.643.929	6.643.929	6.643.929
2	Other business gains	0	0	0	0	0	0	0	0	0	0
3	Executed, capitalized labor for own purposes	0	0	0	0	0	0	0	0	0	0
4	Changes in inventories (finished goods and unfinished production)	0	0	0	0	0	0	0	0	0	0
5	Consumed materials	0	3.773.152	3.943.037	4.116.076	4.239.538	4.366.745	4.366.745	4.366.745	4.366.745	4.366.745
6	Costs for employees	0	277.500	285.825	291.542	297.372	303.320	303.320	303.320	303.320	303.320
7	Amortization	0	572.664	572.664	572.664	572.664	572.664	572.664	572.664	572.664	572.664
8	Other business outgoings	0	108.552	115.152	123.752	130.252	199.752	199.752	199.752	199.752	199.752
	Profit from business activities	0	948.441	1.047.646	1.158.507	1.210.511	1.201.448	1.201.448	1.201.448	1.201.448	1.201.448
9	Net financial costs	0	581.647	521.991	462.335	402.679	343.023	283.367	223.710	164.054	104.398
10	Income from associated companies	0	0	0	0	0	0	0	0	0	0
11	Income tax	0	33.011	47.309	62.655	72.710	77.258	82.627	87.996	93.365	98.734
	Profit after taxation	0	333.783	478.346	633.517	735.182	781.167	835.454	889.742	944.029	998.316
12	Minority interests	0	0	0	0	0	0	0	0	0	0
	Net profit from business activities	0	333.783	478.346	633.517	735.182	781.167	835.454	889.742	944.029	998.316
13	Unexpected items	0	0	0	0	0	0	0	0	0	0
	Net profit / loss for the accounting period	0	333.783	478.346	633.517	735.182	781.167	835.454	889.742	944.029	998.316
											1.052.602



10.7.2014 / 3752

FINANCIAL PROJECTIONS WITH PROJECT (CASH FLOW)										
ELEMENT / YEAR	1	2	3	4	5	6	7	8	9	10
1 START CASH	0	0	0	0	0	0	0	0	0	0
2 CASH FROM BUSINESS ACTIVITIES	906.447	1.051.010	1.206.181	1.310.846	1.353.831	1.408.118	1.462.406	1.516.693	1.570.980	1.625.266
Net profit	333.783	478.246	633.517	735.182	781.167	835.454	889.742	944.029	998.316	1.052.602
Amortization	572.664	572.664	572.664	572.664	572.664	572.664	572.664	572.664	572.664	572.664
Decrease (+) / Increase (-) receivables	0	0	0	0	0	0	0	0	0	0
Decrease (+) / Increase (-) supplier obligations	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
3 INVESTMENT ACTIVITY	0	0	0	0	0	0	0	0	0	0
Investments (-) / disinvestments (+) in supplies	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0
Renovation	0	0	0	0	0	0	0	0	0	0
Machines and equipment (replacement)	0	0	0	0	0	0	0	0	0	0
4 FINANCING	7.597.880	917.787	917.787	917.787	917.787	917.787	917.787	917.787	917.787	917.787
Increase in debt / loan	7.597.880	0	0	0	0	0	0	0	0	0
Repayment of main part/principal	0	917.787	917.787	917.787	917.787	917.787	917.787	917.787	917.787	917.787
Own investments	0	0	0	0	0	0	0	0	0	0
5 CASH AT THE END OF PERIOD	0	11.340	144.563	432.957	826.016	1.262.060	1.752.391	2.297.010	2.895.916	3.549.109
6 NET FLOW (GROWTH) OF CASH	0	11.340	133.223	299.734	393.059	436.044	490.331	544.619	598.906	653.193
										707.479

Resume

This excerpt from the Business Plan is intended to interest business partners to finance or co-finance of II Phase of the project - PRODUCTION OF DRUGS AND PROCESSING OF MEDICINAL HERBS AND FOREST FRUITS, as well as those business partners which would through collaboration with FARMONT get a possibility for significant share of the Montenegro health market through - deliveries in IN BULK forms to FARMONT, or through other forms of cooperation with it.

FARMONT has finished Phase I, which created conditions for Contemporary Secondary packaging and modern distribution activities.

Therefore we believe that at this point following should be considered:

- Through strategic partnerships with deliveries to FARMONT, IN BULK products in blisters supplier gets the treatment of domicile manufacturer on Montenegro market (50 mil Eur).
- Possibility for export is evident in countries of the region and wider, but it should be specially emphasized - ability to export to Russia and countries of former SSSR with which Montenegro has agreement for customs duties on goods from Montenegro to Russia with only 1% customs - in the name of customs records.
- Possibility of financing II Phase of Investment Project in the amount of 7.840.430.00 €, under favorable conditions for this type of investment.

For any other information, please, do not hesitate to contact me any time.

BR,

Dr. M. Vukovic, D.M.D.  
Tel: +382 69 670497  
+381 63 8921300  
Skype: mladen.vukovic99

10.7.2014 / 3752