

**Biannual report
on the economic-financial activity
of S.C. BIOFARM S.A. – 1st Semester 2014**

S.C. BIOFARM S.A. has the registered office, no. 99 Logafatul Tautu Street, 3rd City District and has as main activity object manufacture of pharmaceutical preparations.

The tax identification number with the Trade Register Office is RO 341563 and the order number in the Trade Register J40/199/1991.

The regulated market on which transferable securities issued by S.C. BIOFARM S.A. are traded is the Bucharest Stock Exchange, 1st category of transaction.

1. Economic-financial situation of S.C. Biofarm S.A. as at 30.06.2014

Financial statements of S.C. Biofarm S.A. as at 30.06.2014 are prepared in compliance with the IFRS adopted by the European Union.

Financial statements of S.C. Biofarm S.A. as at 30.06.2014 are not audited.

Financial statements are elaborated in compliance with the accrual accounting. Therefore, the effects of transactions and other events are recognised when transactions and events are produced and are registered in the accounting records and reported in the financial statements of corresponding periods.

Financial statements are elaborated starting from the presumption that the company will continue its activity in the predictable future as well. The company does not intend nor is required to liquidate or to reduce significantly its activity.

1.1. Balance sheet concluded as at 30.06.2013

Description	June 30, 2014	30 December
Fixed assets	75,957,133	79,426,983
Floating assets	143,019,240	131,199,736
TOTAL ASSETS	218,976,373	210,626,719
Current liabilities	26,738,371	32,594,608
Long-term liabilities	1,882,728	2,144,975
TOTAL LIABILITIES	28,621,099	34,739,583
NET ASSETS	190,355,274	175,887,136
Share capital	109,486,150	109,486,150
Own shares	(813)	(813)
Premiums related to shares issuance	(441,300)	(173,154)
Revaluation reserves	493,677	493,677
Reserves	49,236,982	25,053,842
Retained earnings	16,844,294	16,844,294
Current result	14,736,284	25,581,079
Distribution of profit	0	-1,397,939
TOTAL CAPITALS	190,355,274	175,887,136

Fixed assets



At 30.06.2014 the company owns:

- the land located at no. 40-42 Iancu de Hunedoara Street;
- the land from Gura Badicului Street and it did not obtain property title for the land in use from no. 99 Logafat Tautu Street.

The land in use from no. 99 Logafat Tautu Street is not included in the financial statements of S.C. Biofarm S.A., due to the fact that the documents attesting the property were not yet obtained, there being notifications on Law no. 10/2001.

In compliance with the provisions of GD 834/1991 art. 1, the company requests the obtaining of the certificate attesting the ownership of the land, for the lands necessary to carry out the activity according to the activity object.

The value of the land for which the ownership certificate will be obtained shall be established based on legal provisions. Together with the value of lands, the share capital of the Company will be increased as well, and shares will be owned by the state.

During the first semester of 2014, investments amounting 7,763,976 Ron were performed.

The structure of fixed assets as at 30.06.2013 is the following:

TANGIBLE ASSETS	June 30, 2014	30 December 2013
Lands and constructions	19,491,546	20,102,995
Technical installations and machinery	24,549,882	24,423,800
Other installations, machines and furniture	635,468	717,805
Tangible assets in progress	10,776,115	5,689,286
	55,453,011	50,933,886

Inventories

The structure of inventories as at 30.06.2014 is the following:

Inventories	June 30, 2014	30 December 2013
Raw materials and consumables	11,449,088	10,689,399
Adjustments	(886,584)	(1,025,697)
Production in progress	1,133,399	847,978
Adjustments	-	-
Semi-products and finished products	7,569,513	6,408,850
Adjustments	(183,279)	(453,962)
Goods	1,083,213	524,456
TOTAL	20,165,350	16,991,025

Trade Receivables

Trade receivables of S.C. Biofarm S.A. decreased on 30.06.2014 in comparison with 31.12.2013, due to the reduction of time for customer cashing.

Trade receivables	June 30, 2014	30 December 2013
Trade receivables	41,142,464	58,607,405
Adjustments for trade receivables	(1,280,250)	(1,280,250)
	39,862,214	57,327,155



Short and long term liabilities

Current liabilities	26,738,371	32,594,608
Long term liabilities	1,882,728	2,144,975
TOTAL LIABILITIES	28,621,099	34,739,583

Liabilities to the state budget and local budgets, respectively tax, special funds and fees, were paid on their due date.

Amounts owed to credit institutes on 30.06.2014:

Objective	Credit line attached to credit card
Amount	20,000 lei
Maturity	04.09.2014
Securities	Movable security without dispossession of balances of current accounts.

SC Biofarm SA did not submit securities and did not pledge, mortgage respectively own assets for guaranteeing some obligations in favour of a third party.

1.2.Profit and loss account

The profit and loss account statement as at June 30, 2014 was the following:

Description	For the year ended on		%2014 vs. 2013
	June 30, 2014	30 June 2013	
Income from sales	61,100,048	58,369,282	5%
Other operating income	87,569	68,837	27%
Change in inventories	1,664,512	762,293	
Total income from operation	47,458,654	44,947,491	6%
Profit/(Loss) from operations	15,393,475	14,252,921	8%
Net financial income/(costs)	77,045	1,409,341	
Profit before tax	15,470,520	15,662,262	-%
Tax expenses	734,263	2,124,620	
Profit	14,736,284	13,537,642	9%

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

Items of operating expenses	30.06.2014	30.06.2013	%
Raw materials and consumables	16,943,750	16,256,502	4,2 %
Personnel expenditures	8,695,794	8,354,557	4,1 %
Amortisation	3,278,333	3,015,301	8,7 %
Other operating expenses	18,540,777	17,321,131	7,0 %
Operating expenses	47,458,654	44,947,491	5,6 %

Under the conditions of turnover increase with approximately 5% on June 30, 2014 in comparison with the similar period of last year, the result from the operating activity is with 8% higher than the one obtained on 30 June 2013.



During the 1st semester of 2014, the financial result encountered a negative impact from the income decrease from the interests obtained from the company's deposits in banks from Romania (750,111 lei in the 1st semester of 2014 in comparison with 1,401,502 lei in the 1st semester of 2013) and from the partial sale of shares portfolio owned by Biofarm on companies listed on the BSE (Bucharest Stock Exchange), category I of trading:

SYMBOL	NAME	No. of shares owned	Purchase value	Share sale value S1 2014	Loss from shares sale S1 2014	Cancellation of shares provision constituted on 31.12.2013	Net loss from shares sale S1 2014
ARAX	ARMAZ GAZ SA MEDIAS	30,000	1,109,944	168,142.7	-941,801	944,794	2,993
BRD	BRD	35,000	877,873	297,500.0	-580,373	562,873	-17,500
DAFR	DAFORA SA	120,000	62,200	3,540.0	-58,660	58,600	-60
TLV	B. TRANSILVANIA	647,738	1,961,736	1,075,245.1	-886,491	892,968	6,477
TEL	TRANSELECTRICA	13,040	487,576	202,128.7	-285,447	281,674	-3,773
SIF 1	SIF BANAT CRISANA	1,895,100	6,606,977	2,236,218	-4,370,759	4,158,508	-221,251
SIF 2	SIF MOLDOVA	2,550,000	8,735,615	3,289,500	-5,446,115	4,987,007	-459,108
			19,841,920	7,272,274	-12,569,645	11,886,423	-683,222

Income tax on 30.06.2014 was also influenced by the abovementioned operation of shares sale. For the calculation of income tax, the income coming from the cancelation of shares provision amounting 11,886,423 lei is considered not taxable income, coming from the cancelation of an expense for which deduction was not granted.

The net result on 30.06.2014 is in increase with approximately 9% in comparison with similar period of last year.

1.3.Cash flow

Cash flow 1st semester of 2014:

Net cash from operating activities	25,525,643
Net cash from investing activities	-11,900,665
Net cash from financing activities	-127,804
Net increase of cash and cash equivalents	13,497,174
Cash and cash equivalents on 31.12.2012	49,530,635
Cash and cash equivalents on 30.06.2013	63,027,809



1.4.Indices

SOLVENCY	
June 30, 2014	
Debt ratio	
Total liabilities (A)	28,621,099
Total assets	218,976,373
A/B	13.07%
Rate of financial autonomy	
Own capital (A)	190,355,274
Total assets less current net current liabilities (B)	192,238,002
A/B	99,02%
LIQUIDITY AND WORKING CAPITAL	
June 30, 2014	
Rate of general liquidity	
Current assets	143,019,240
Current liabilities	26,738,371
(A/B)	5.35
Rapid rate of liquidity	
Current assets	143,019,240
Inventories	20,165,350
Current liabilities	26,738,371
(A-B)/C	4.59
Period of cashing from customers	
Trade receivables (A)	48,594,685
Net turnover (B)	61,100,048
(A/B)*181 – days	144
Period of inventories immobilisation	
Inventories (A)	61,100,048
Net turnover (B)	60
(A/B)*181 - days	
Period of suppliers payment	
Suppliers (A)	21,236,362
Material and external expenses (B)	44,000,813
(A/B)*181- days	87

2. Analysis of trading company activity

During the first semester of 2013, Biofarm maintained itself within the trend of the market and maintained its position among the first 10 Romanian manufacturers in terms of sales of commercial units. The value of income from net sales performed during the first semester of 2014 was of 61,100,048 lei, increasing with 5% in comparison with the first semester of 2013.

On 30.06.2014, the company records a net profit of 14,736,284 RON, an increase with 9% in comparison with the similar period of 2013.

3. Own capitals

During the first semester of 2014, no share capital variations were registered, its value being of 109,486,150 lei, with a nominal value per share of 0.1 RON.



The shareholding structure on 30.06.2014 was the following:

Source of information: DEPOZITARUL CENTRAL

NAME	SHARES	PERCENTAGE
S.I.F. MUNTENIA loc. BUCHAREST, 3 rd CITY DISTRICT	566,374,434	51.7302%
S.I.F. BANAT-CRISANA S.A. loc. ARAD, ARAD county	233,195,897	21.2991%
SIF MOLDOVA loc. BACAU, BACAU county	151,303,144	13.8194%
other shareholders/others	132,539,271	12.1056%
A.V.A.S. loc BUCHAREST, 1 st CITY DISTRICT	11,448,753	1.0457%
Total	1,094,861,499	100

On 30.06.2014 the company has the following working points:

- Bucharest, no. 42-44 Iancu de Hunedoara Blvd, 1st City District, tax identification number 14008268.
- Bucharest, no. 202-226 Gura Badicului Street, warehouse for finished products distribution.
- Cluj Napoca, no. 206, Traian Vuia Street, tax identification number 26585871, warehouse for finished products distribution.
- Craiova, no. 120, A Decebal Blvd., warehouse for finished products distribution.
- Arad, no. 1 Câmpul Liniștii Street, warehouse for finished products distribution.
- Constanța, no. 1 Interioara Street, warehouse for finished products distribution.

4. Changes that affect the capital and the management of the trading company

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

It is not the case.

4.2. Description of any modification concerning the rights of transferable securities holders issued by the trading company.

It is not the case.

5. Significant transactions

During the first semester of 2014 an important part of the shares portfolio held by SC Biofarm SA at companies listed on the BSE, category I of trading was sold. Details regarding this operation are found at point 1.2 from this report.

Chairman of the Board of Directors,

Dănuț Vasile

Round stamp of Biofarm

Illegible Signature

I, undersigned, Alina Cumpănășoiu, a sworn translator, authorized by the Ministry of Justice of Romania, do hereby certify that this is a true, full and correct translation of the text that was seen by me.

Sworn translator No. 26730,

