

<<Translation from Romanian>>

**Biannual report on the economic-financial activity
of S.C. BIOFARM S.A. – 1st Semester 2013**

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

The tax identification 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 transferable securities issued by S.C. BIOFARM S.A. are traded is the Bucharest Stock Exchange, 1st category of trading.

1. Economic-financial situation of S.C. Biofarm S.A. as at 30.06.2013

Financial statements of S.C. Biofarm S.A. as at 30.06.2013 are elaborated in compliance with IFRS adopted by the European Union.

Financial statements of S.C. Biofarm S.A. as at 30.06.2013 are not audited.

Financial statements are elaborated in compliance with the accrual accounting. Thusly, the effects of transactions and of 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 also in the predictable future. The company does not intend and it does not require to liquidate or to reduce significantly its activity.

1.1. Balance sheet concluded as at 30.06.2013

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	30 June 2013	30 December 2012
Fixed assets	73,499,967	73,504,390
Floating assets	135,963,629	125,006,009
TOTAL ASSETS	209,463,596	198,510,399
CURRENT LIABILITIES	43,309,095	31,328,657
LONG-TERM LIABILITIES	2,310,800	2,642,484
TOTAL LIABILITIES	45,619,895	33,971,142
NET ASSETS	163,843,701	164,539,257



Share capital and reserves		
Share capital	109,486,150	109,486,150
Share capital adjustments	-	24,983,008
Own shares	(813)	(813)
Premiums related to shares issuance	(173,154)	(173,154)
Revaluation reserves	493,677	493,677
Reserves	23,655,903	17,986,516
Retained earnings	16,844,294	(8,138,713)
Current result	13,537,643	21,036,200
Distribution of profit	-	(1,133,614)
TOTAL CAPITALS	163,843,701	164,539,257

Fixed assets

At 30.06.2013 the company owns:

- the land located at no. 40-42 Iancu de Hunedoara Street;
- the land from Gura Badicului 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 attesting certificate of 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 the 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 2013, investments amounting 3,187,439 Ron were performed.

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

TANGIBLE ASSETS	30 June 2013	30 December 2012
Lands and constructions	18,057,298	18,511,090
Technical installations and machinery	22,739,433	23,663,358
Other installations, machines and furniture	544,038	587,383
Tangible assets in progress	6,655,244	5,164,002
	47,996,014	47,925,832



Inventories

At 30.06.2013, the inventories of raw materials and materials registered an increase of 9.4% in comparison with the inventories existent on 31.12.2012 mainly due to the diversification of portfolio with products marketed by S.C. Biofarm S.A.

Inventories	30 June 2013	30 December 2012
Raw materials and consumables	9,620,954	9,348,386
Adjustments	(870,465)	(946,022)
Production in progress	1,354,270	1,180,467
Adjustments	0	(10,604)
Semi-products and finished products	6,106,671	5,493,026
Adjustments	(107,247)	(233,055)
Goods	988,245	787,067
Total	17,092,428	15,619,265

Receivables

The structure of receivables as at 30.06.2013 is the following:

Trade and other receivables	30 June 2013	30 December 2012
Trade receivables	51,680,338	49,173,405
Adjustments for trade receivables	(1,280,250)	(1,280,250)
Intragroup receivables	119,876	-
Employees	104,454	27,899
Income tax	37,390	1,044,011
Other receivables against State Budget	3,738,932	5,865,286
Different debtors and other receivables	273,244	134,002
Adjustments for other receivables	(62,896)	(62,896)
Interest to collect	419,807	395,363
Advances	649,988	677,582
Expenses in advance	222,805	278,730
Total	55,903,689	56,253,132

Trade receivables of S.C. Biofarm S.A. have increased with 5% in comparison with the end of 2012, given the conditions of the turnover increase with 10.3%.

Short and long term liabilities

Trade and other payables	30 June 2013	30 December 2012
Trade liabilities	25,661,876	25,089,368
Suppliers of fixed assets	326,516	1,356,189
Liabilities related to employees	520,585	569,200
Taxes and social contributions	636,381	899,158
Other tax liabilities	52	332,967



Other liabilities	158,622	2,697
Dividends	15,283,817	1,264,590
Advances	4,625	3,482
Income in advance	7,248	7,248
Total	42,599,722	29,524,899
Loans	231,155	696,935
Provisions	478,218	1,106,823
Short-term liabilities	43,309,095	31,328,657
LONG-TERM LIABILITIES		
Loans	-	16,409
Deferred tax	1,845,182	2,160,457
Provisions	465,618	465,618
LONG-TERM LIABILITIES	2,310,800	2,642,484

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

1.2. Profit and loss account

The profit and loss account statement as at June 30, 2013 was the following:

	30 June 2013	30 December 2012	%
Income from sales	58,369,282	52,915,297	10%
Other operating income	68,837	58,567	18%
Change in inventories	762,293	1,003,974	-24%
Raw materials and consumables	16,256,502	14,524,459	12%
Personnel expenses	8,354,557	7,496,118	11%
Amortisation	3,015,301	2,752,791	10%
Other operating expenses	17,321,131	15,775,388	10%
Profit/(Loss) from operations	14,252,921	13,429,082	6%
Net financial income	1,409,341	1,514,743	-7%
Profit/(Loss) before tax	15,662,262	14,943,825	5%
Tax expenses	2,124,620	2,664,511	-20%
Profit/(Loss)	13,537,643	12,279,314	10%

The net financial income registered a decrease in comparison with the similar period of the last year due to the reduction of income rate on term deposits for company's cash equivalents located in banking institutions of Romania.

On 30.06.2013, S.C. Biofarm S.A. did not revalue the shares portfolio held by Biofarm at companies listed on BSE, a portfolio which is presented in the table below:



SYMBOL	NAME	No. of shares as at 30.06.2013
ARAX	ARMAZ GAZ SA MEDIAS	3,000,000
BRD	BRD	35,000
DAFR	DAFORA SA	120,000
SIF 1	SIF BANAT CRISANA	1,895,100
SIF 2	SIF MOLDOVA	2,550,000
SIF 3	SIF TRANSILVANIA	823,500
SIF 4	SIF MUNTENIA	615,600
SIF 5	SIF OLTENIA	4,100,000
TLV	B. TRANSILVANIA	558,571
TEL	TRANSELECTRICA	13,040

During the first semester of 2013, the company sold 5,765 shares held at S.C. Transilvania Constructii S.A., the equivalent of 184,733 lei.

1.3.Indices

PROFITABILITY AND RETURN ON CAPITAL	30 June 2013
Efficiency of available capital	
Profit before interest and tax (A)	15,678,808
Available capital (B)	165,688,883
A/B	9.46%
Operating profit margin	
Profit before interest and tax (A)	15,678,808
Operating income (B)	59,200,412
A/B	26.48%
Rate of total assets	
Profit before interest and tax (A)	15,678,808
Total assets (B)	209,463,596
A/B	7.49%
Debt ratio	
Total liabilities (A)	45,619,895
Total assets (B)	209,463,596
A/B	21.78%
Rapid rate of liquidity	
Current assets	135,963,628
Inventories	17,092,428
Current liabilities	43,309,095
(A-B)/C	2.74
Period of cashing from customers	
Trade receivables (A)	50,400,088
Net turnover (B)	58,369,282
(A/B)*182 days	157



Period of inventories immobilisation	
Inventories (A)	17,092,428
Net turnover (B)	58,369,282
(A/B)*182 days	53
Period of suppliers payment	
Suppliers (A)	25,661,876
Material and external expenses (B)	41,636,265
(A/B)*182 days	112

2. Analysis of trading company's activity

With a tradition of over 90 years in the Romanian pharmaceutical industry and with a portfolio of over 200 products, BIOFARM covers 61 therapeutic areas and invests continuously in media, commercial and marketing campaigns in order to promote its own products.

In the first semester of 2013, a turnover of 58,369,282 RON was registered, increasing with 10% in comparison with the similar period of the previous year.

On 30.06.2013, the company registers a net profit of 13,537,643 RON, increasing compared to the similar period of 2012, maintaining a profitability rate of approximately 23% and an EBITDA margin of approximately 32%.

Export sales of S.C. BIOFARM S.A. have registered during January – June 2013, in comparison with the similar period of 2012, an increase of 26% in value and export sales represent 3.3% from the turnover of the company.

During the first semester of 2013, the marketing of products was done preponderantly with six distributors that are placed in the top ten distributors, according to the classification of the pharmaceutical market.

3. Own capitals

During the first semester of 2013, 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 25.07.2013 was the following:

NAME	SHARES	PERCENTAGE
S.I.F. OLTENIA loc. CRAIOVA county DOLJ	311,902,671	28.4878
S.I.F. BANAT-CRISANA S.A. loc. ARAD county ARAD	233,195,897	21.2991
SIF MOLDOVA loc. BACAU county BACAU	143,052,144	13.0657
A.V.A.S. loc. BUCHAREST county 1 st City District	11,448,753	1.0456
Legal entities	198,676,020	18.1462
Individuals	196,586,014	17.9553
Total	1,094,861,499	100.0000



On 30.06.2013, 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 Liniştii 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 holders' rights of transferable securities issued by the trading company.

It is not the case.

5. Significant transactions

In the case of shares issuers, information regarding major transactions concluded by the issuer with persons with whom he acts in a concerted manner or in which these persons were involved during the relevant time period.

It is not the case.

Chairman of the Board of Directors,

Dănuţ Vasile

I, undersigned, Alina Cumpănăşoiu, 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,



