

<<Translation from Romanian>>

**Semestrial report  
on the economic-financial activity  
of S.C. BIOFARM S.A. – 1<sup>st</sup> Semester of 2010**

S.C. BIOFARM S.A. has the registered office at no. 99 Logafatul Tautu Street, 3<sup>rd</sup> 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 in the Trade Register is J40/199/1991.

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

**1. Economic-financial situation of S.C. Biofarm S.A. as at 30.06.2010**

The Company began in 2001 the application of the International Accounting Standards by submitting the corresponding financial statements.

Preparing the report on financial results on 30.06.2011 was made in compliance with Law no. 82/1991, with subsequent updates and completions and Order no. 3055/2009. Financial statements of S.C. Biofarm S.A. as at 30.06.2010 are not audited.

The chronological and systematic registration of patrimonial operations was ensured, as well as the storage and processing of information on the situation of patrimony and results obtained, of the information needed to establish the patrimony, income and expenditure budget execution, preparation of the trial balance and of annual reporting.

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 also in the predictable future. The company does not intend and it does not require to liquidate or to significantly reduce its activity.

**1.1. Balance sheet concluded as at 30.06.2011**

	<b>31.12.2009</b>	<b>30.06.2010</b>	<b>%</b>
INTANGIBLE ASSETS	1,248,135	1,067,074	-15%



TANGIBLE ASSETS	58,506,779	58,399,206	0%
FINANCIAL ASSETS	13,038,950	13,044,494	0%
<b>FIXED ASSETS - TOTAL</b>	<b>72,793,864</b>	<b>72,510,774</b>	<b>0%</b>
INVENTORIES	11,283,810	12,467,413	10%
RECEIVABLES	32,430,634	35,516,494	10%
SHORT TERM INVESTMENTS	9,358,001	18,762,970	101%
CASH AND BANK ACCOUNTS	28,048,592	27,426,134	-2%
	<b>81,121,037</b>	<b>94,173,011</b>	<b>-15%</b>
<b>CURRENT ASSETS - TOTAL</b>			
ADVANCE EXPENSES	165,863	198,933	20%
	<b>12,290,964</b>	<b>16,703,686</b>	
<b>DEBTS PAYABLE IN LESS THAN ONE YEAR</b>			<b>36%</b>
	<b>68,995,210</b>	<b>77,668,258</b>	
<b>NET CURRENT ASSETS /NET CURRENT DEBTS</b>			<b>13%</b>
<b>TOTAL ASSETS MINUS CURRENT DEBTS</b>	<b>141,789,074</b>	<b>150,179,032</b>	<b>6%</b>
	<b>850,654</b>	<b>676,413</b>	
<b>DEBTS PAYABLE IN MORE THAN ONE YEAR</b>			<b>-20%</b>
<b>PROVISIONS FOR RISKS AND EXPENSES</b>	<b>4,885,558</b>	<b>3,815,171</b>	<b>-22%</b>
<b>DEFERRED REVENUES</b>	<b>726</b>		
<b>CAPITAL AND RESERVES</b>			
SUBSCRIBED AND PAID IN EQUITY	109,486,150	109,486,150	0%
REVALUATION RESERVES	18,745,953	18,730,118	0%
RESERVES	8,246,772	8,269,397	0%
OWN SHARES HELD	813	813	0%
LOSSES IN RESPECT OF OWN CAPITAL INSTRUMENTS	173,154	173,154	0%
RETAINED EARNINGS	18,906,331	252,047	
FINANCIAL YEAR RESULT	19,636,090	9,627,797	-51%
PROFIT DISTRIBUTION	981,805		
<b>EQUITIES - TOTAL</b>	<b>136,052,862</b>	<b>145,687,447</b>	<b>7%</b>

### Fixed assets

In 2010, in May, SC Biofarm SA was reauthorized GMP (Good Manufacturing Practice) by the National Agency of Medicines and Medical Devices. In order to re-authorization, Biofarm conducted investment and modernization works of microbiological control laboratory and physicochemical control laboratory.

On 30.06.2010 the company registered an increase of tangible assets through the acquisition of production equipment and accessories necessary for the manufacture of new products.

Thusly, in order to increase productivity, packaging machines were purchased:

- automatic cartoning machine with horizontal movement for blister packaging from laminated foil and packaging sachets of powder or liquid.



- "sleeve" boxes packaging automatic cartoning machine, which will be added to the existing packaging line.

On 30.06.2010 the company has in its property:

- the land placed at no. 40-42 Iancu de Hunedoara Street;
- the land from Gura Badicului Street and did not obtain an ownership title for the land that is currently in use at no 99 Logofat Tautu Street;

The land in use from no. 99 Logofatul 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 provisions of the GD 834/1991 art. 1, the company requests the obtaining of the attesting certificate regarding the land ownership title, for the lands necessary to carry out the activity according to the activity object.

The value of the land for which the attesting certificate regarding the land ownership title will be obtained, shall be established based on the legal provisions. Together with the value of the lands, the equity of the company shall increase as well and the shares will enter into the state property.

In the first semester of 2010 investments amounting 2,079,342 Ron were made.

<b>ASSETS</b>	<b>Acquisitions semester I 2010</b>
Intangible assets	9,483
Lands	0
Constructions	22,903
Technical installations and machinery	1,611,760
Tangible assets advances	435,196
<b>Total</b>	<b>2,079,342</b>

### Inventories

Inventories of raw materials and materials registered an increase of 10% in comparison with the inventories evidenced on 31.12.2009, this, in terms of the turnover increase by 22% compared to the same period of 2009.

<b>Inventories</b>	<b>31.12.2009</b>	<b>30.06.2010</b>
Raw materials and materials	6,395,035	7,373,633
Production in progress	268,037	478,811
Finished products and goods	4,565,540	4,547,102
Advances for the purchase of inventories	55,198	67,867
<b>Total</b>	<b>11,283,810</b>	<b>12,467,413</b>



## Receivables

Trade receivables of SC Biofarm SA increased by 29%. Receivable increase is due to the modification of term for collecting customer receivables.

Customers balance on 30.06.2010 in the balance sheet of SC Biofarm SA is decreased by the amount of 18,762,970 lei, representing promissory notes received by the company. These amounts are shown in the balance sheet under "Short term investments".

Description	31.12.2009	30.06.2010
Trade receivables	30,356,516	32,486,965
Short term investments	9,358,001	18,762,970
<b>Total</b>	<b>39,714,517</b>	<b>51,249,935</b>

## Short-term and long-term liabilities

Short term liabilities increased by 36% compared to the end of 2009.

Liabilities for the State Budget and Local Budgets, respectively tax, special funds and taxes were paid on their due date.

On 30.06.2010 the long term liabilities are worth 676,413, decreasing compared to 2009 by 20%.

Long-term liabilities consist of rates with maturity of more than one year corresponding to lease contracts concluded for the purchase of production equipment and vehicles necessary for performing the activity of medical representatives.

### 1.2. Profit and loss account

The status of the profit and loss account as at June 30, 2010 is as follows:

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Indicators	30.06.2009	30.06.2010	%
Turnover	34,211,690	41,584,194	22%
Total revenues	39,083,474	43,293,409	11%
Total expenses	27,977,816	31,181,255	11%
Gross profit	11,105,658	12,112,154	9%
Income tax	1,781,113	2,484,357	39%
<b>Net profit</b>	<b>9,324,545.00</b>	<b>9,627,797</b>	<b>3%</b>

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Operating result	30.06.2009	30.06.2010	%
<b>Operating income</b>	<b>36,188,820</b>	<b>41,536,461</b>	<b>15%</b>
Raw materials, materials	8,538,192	9,790,578	15%
Costs with energy and water	910,105	889,575	-2%
Personnel expenses	5,035,769	5,450,901	8%



Value adjustments on tangible and intangible assets	2,116,287	2,315,394	9%
Expenses on external services, other operating expenses	7,424,242	8,578,496	16%
<b>OPERATING EXPENSES</b>	<b>26,587,995</b>	<b>29,079,758</b>	<b>9%</b>
<b>Operating result</b>	<b>9,600,825</b>	<b>12,456,703</b>	<b>30%</b>

In terms of increased turnover by 22% the net profit registered an increase of approximately 30%.

The financial result on 30.06.2010 is -344,549 lei compared to 1,504,833 lei on 30.06.2009. This negative evolution of the financial result is due to the evolution of the exchange rate, the evolution of interest on deposits of SC Biofarm SA in banks, and also the preliminary reductions that are to be granted to third parties in the following period. These reductions that will be granted to customers and which are already included in the result of the financial year are worth 1,214,955 lei.

### 1.3 Indicators

<b>PROFITABILITY AND CAPITAL RETURN</b>	<b>30.06.2009</b>	<b>30.06.2010</b>
<b>Efficiency of available capital</b>		
Profit before interest and tax (A)	11,180,892	12,171,266
Available capital (B)	139,998,822	146,363,861
<b>A/B</b>	<b>7.99%</b>	<b>8.32%</b>
<b>Net profit rate</b>		
Net profit (A)	9,324,545	9,627,797
Total revenues (B)	39,083,474	43,293,410
<b>A/B</b>	<b>23.86%</b>	<b>22.24%</b>
<b>Rate of total assets</b>		
Profit before interest and tax (A)	11,180,892	12,171,266
Total assets (B)	149,591,898	166,882,718
<b>A/B</b>	<b>7.47%</b>	<b>7.29%</b>
<b>Rate of liability</b>		
Total liabilities (A)	8,917,197	17,380,099
Total assets (B)	149,591,898	166,882,718
<b>A/B</b>	<b>5.96%</b>	<b>10.41%</b>
<b>Rate of financial autonomy</b>		
Equity	139,038,087	145,687,448
Total assets less net current liabilities (B)	141,635,412	150,179,032
<b>A/B</b>	<b>98.17%</b>	<b>97.01%</b>
<b>General liquidity rate</b>		
Current assets	71,172,970	94,173,011
Current liabilities	7,956,462	16,703,686
<b>(A/B)</b>	<b>8.95</b>	<b>5.64</b>
<b>Rapid rate of liquidity</b>		



Current assets	71,172,970	94,173,011
Inventories	12,620,662	12,467,413
Current liabilities	7,956,462	16,703,686
<b>(A-B)/C</b>	<b>7.36</b>	<b>4.89</b>
<b>Period of cashing from customers</b>		
Trade receivables (A)	33,051,730	51,249,935
Net turnover (B)	34,211,690	41,584,195
<b>(A/B)*180-days</b>	<b>174</b>	<b>222</b>
<b>Period for paying providers</b>		
Suppliers	5,083,467	13,369,047
Material expenses and external expenses (A)	21,959,216	24,321,895
<b>(A/B)*180-days</b>	<b>42</b>	<b>99</b>

## **2. Analysis of the activity of the trading company**

Biofarm - S.A. Company produces medicines and food supplements for human use. In this capacity, the company is subject to the special laws on the authorisation of units operation for the manufacture of medicines and food supplements. The company is also certified in accordance with the requirements of EN ISO 9001:2000 and the Good Manufacturing Practice Guide (GMP) for all production lines.

S.C. BIOFARM S.A. products are presented in the following therapeutic areas:

- products for the digestive system:
  - antacids
  - antiflatulents
  - choleric and cholecystokinetic agents
  - gastroprokinetic agents
  - hepatoprotective agents
  - contact laxatives
  - digestive enzyme supplements
- products intended for the musculoskeletal system:
  - trophic articulation
  - calcium supplements
- vitamins, multivitamins and tonics
- antiseptics and disinfectants:
  - tegumentary
  - buccal





Regarding the Romanian pharmaceutical market, it was affected in the first 6 months of 2010, both by the effects of the global crisis materialized mainly through the devaluation of national currency compared to the euro as well as administrative measures adopted in recent years such as the new way to calculate prices for generic medicines, in accordance with Order no. 75/2009, extending payment terms for compensated/free medicines or introducing the clawback system. All these problems with which the pharmaceutical market lately faced, eventually led to the creation of a liquidity crisis, a blockage at the level of pharmacies and retailers and to the decreasing of the purchasing power.

However, S.C. BIOFARM S.A. remains one of the top 10 medicine manufacturers, and this certifies that S.C. BIOFARM S.A. is recognized as the producer of medicines and food supplements of very high quality at affordable prices.

SC BIOFARM S.A. will continue the process of identifying and implementing the best development strategies, sales, marketing and cost optimization that will allow to further meet the needs of its consumers.

### **3. Equities**

In 2010 there were no variations in equity, its value being of 109,486,150 lei with a nominal value per share of 0.1 RON.

The shareholding structure on 31.05.2010 was the following:

Shareholder	Shares	Percentage
Other shareholders / others	552,538,824	50,4665%
S.I.F. OLTENIA CRAIOVA DOLJ	244,397,827	20,4955%
S.I.F. BANAT-CRISANA S.A. ARAD ARAD	178,513,951	16,3047%
SIF MOLDOVA BACAU BACAU	127,962,144	11,6875%
A.V.A.S. BUCHAREST 1 <sup>ST</sup> DISTRICT	11,448,753	1,0457%
Total	1,094,861,499	100

Equities increased by 7% in the first half of 2010 compared to December 31, 2009.

SC Biofarm SA owns a participation of 3,500 Euros representing 50% from the share capital of a company from Ukraine. The company of Ukraine did not perform the economic-financial activities until 30.06.2010.

On 01.03.2010 the tax identification number for the working point from Cluj-Napoca Municipality, no. 206 Traian Vuia Street.

The space in which the working point performs its activity is rented. The investigations necessary for the performance in good conditions of the activity for storage, marketing and logistics afferent to the working point were executed.

Starting with May 2010, at this working point, the activity to distribute S.C. Biofarm S.A. products directly to pharmacies began.

On 08.02.2010, the joint stock company representative of SC Biofarm SA was registered in the Republic of Moldova, in Chisinau. The representative will conduct activities of business and management, promotion of marketed products by SC Biofarm SA, recorded by files of Biofarm



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products in the Republic of Moldova, market researches for medicines, food supplements and other products traded by SC Biofarm SA.

SC Biofarm SA exports to the Republic of Moldova since 2000 and over time, Moldova proved to be a successful market for the company's products. Due to the interest in Biofarm products by consumers from the Republic of Moldova, the number of exported goods increased from 10, as they were initially recorded, to 37 currently registered products. Sales recorded in the Republic of Moldova in the first 6 months of 2010 increased by 42% compared to the sales made during the same period of 2009.

#### **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 comply with the financial obligations during the respective period.

**It is not the case.**

**4.2.** Description of any modification concerning the 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 closed by the issuer with persons with whom they act in a concerted manner or in which these persons were involved during the relevant time period.

**It is not the case.**

#### **MISCELLANEOUS**

The documentation for SC Biofarm SA structural financing funds project -"Creating a new unit for the production of medicines" was submitted on 21.05.2010 to the Ministry of Economy, Trade and Business Environment and namely the Management Authority for the Sectoral Operational Programme <<Increase of Economic Competitiveness>>.

The project was approved on 21.04.2010 in OGMS (Ordinary General Meeting of Shareholders) at point 7 on the agenda.

**Chairman of the Board of Directors,  
Dănuț Vasile  
(Illegible signature)  
Round stamp with the following text:  
Biofarm S.A. Bucharest 5**

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*I, undersigned, Laura Lepădatu, 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. 30346,

