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<<Translation from Romanian>>

***Biannual report  
on the economic-financial activity  
of S.C. BIOFARM S.A. – 1<sup>st</sup> Semester 2009***

**S.C. BIOFARM S.A.** has the registered office, no. 99 Logafatul Tautu Street, 3<sup>rd</sup> 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. is the Bucharest Stock Exchange, 1<sup>st</sup> category of transaction.

**1. Economic-financial situation of S.C. Biofarm S.A. as at 30.06.2009**

In 2001 the company began the application of International Accounting Standards by submitting the financial statements elaborated accordingly.

The elaboration of the report on financial results as at 30.06.2011 was made in compliance with Law no 82/1991, with subsequent updates and completions and with Order no. 3055/2009.

Financial statements of S.C. Biofarm S.A. as at 30.06.2009 are not audited.

The chronological and systematic registration of patrimonial operations, storage and processing of information on the situation of heritage and achievements of the information needed to establish heritage, income and expenditure budget execution, preparation of trial balance and annual reporting were ensured.

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 reduce significantly its activity.



1.1. Balance sheet concluded as at 30.06.2011

	31.12.2008	30.06.2009
INTANGIBLE ASSETS	1,334,124	1,224,858
TANGIBLE ASSETS	70,122,814	70,219,494
FINANCIAL ASSETS	6,974,575	6,974,575
<b>FIXED ASSETS - TOTAL</b>	<b>78,431,513</b>	<b>78,418,927</b>
INVENTORIES	12,668,859	12,620,662
RECEIVABLES	19,102,623	27,608,760
SHORT TERM INVESTMENTS	10,411,090	7,150,558
CASH AND BANK ACCOUNTS	26,035,636	23,647,236
	<b>68,218,208</b>	<b>70,984,917</b>
<b>CURRENT ASSETS - TOTAL</b>		
ACCRUED PAYMENTS	272,972	218,182
DEBTS PAYABLE IN LESS THAN ONE YEAR	14,072,593	7,956,462
NET CURRENT ASSETS /NET CURRENT DEBTS	54,388,435	63,216,485
TOTAL ASSETS MINUS CURRENT DEBTS	132,819,948	141,635,412
DEBTS PAYABLE IN MORE THAN ONE YEAR	1,026,706	960,735
PROVISIONS FOR RISKS AND EXPENSES	2,078,662	1,635,797
DEFERRED REVENUES	31,190	30,945
SUBVENTIONS FOR INVESTMENTS	1,038	793
DEFERRED REVENUE	30,152	30,152
<b>CAPITAL AND RESERVES</b>		
SUBSCRIBED AND PAID IN SHARE CAPITAL	109,486,150	109,486,150
REVALUATION RESERVES	32,271,085	31,271,085
RESERVES	7,036,605	7,036,605
OWN SHARES	-813	-813
LOSSES IN RESPECT OF OWN CAPITAL INSTRUMENTS	-173,154	-173,154
RETAINED EARNINGS	2,403,822	-18,906,331
THE RESULT OF THE FINANCIAL YEAR	-21,310,153	-3,324,545
PROFIT APPROPRIATION		0
<b>TOTAL EQUITY</b>	<b>129,713,542</b>	<b>139,038,087</b>

**Fixed assets**

On 30.06.2009 the company registered an increase of tangible assets through acquisition of tangible assets production equipment and accessories required to manufacture new products, such as:

- new station for cutting blisters (Uhlmann)
- mandrel for plugs screwing for the filling-closing machine for solutions IMA F97
- vibratory vessel for spray (nasal lavage Bixtonim-new product)
- blistering matrix with 7 alveoli (new products: Omega Forte, Triomega)
- new sieves for grinding mills for wet granule (Frewitt and Glatt)
- electric dryer with trays for drying the medicinal charcoal grain



- punches for KILIAN compressed machines for new products
- double sealing matrix for oblong 20 (Clarsuple)

At 30.06.2009 the company has in its property:

- the land placed in the no. 40-42 Iancu de Hunedoara Street;
- the land from Gura Badicului Street

and it did not obtain ownership title for the land that is currently used in street no 99 Logofat Tautu.

The land in use from no. 99 Logafatul 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 property title for the land, for the land necessary to carry out the activity according to the activity object.

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

In the first semester of 2009 were made investments worth 2,135,249 Ron.

<b>ASSETS</b>	<b>Acquisitions semester I 2009</b>
Intangible assets	31,113
Lands	-
Constructions	265.951
Technical installations and machines	1.401.519
Tangible assets advances	436.666
<b>Total</b>	<b>2.135.249</b>

### **Inventories**

Inventories of raw materials and materials registered a decrease compared to inventories evidenced on 31.12.2008 due to their better management.

### **Receivables**

To an increase of turnover with 9.2% as at 30.06.2009 compared to 30.06.2008, trade receivables increased by 11.54%. The increase of receivables is due to modification of the period for cashing customers' receivables.

### **Liabilities on short and long term**

Short-term debt decreased compared to the end of 2008.

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



On 30.06.2009 the long term debts are of 960,735 lei, decreasing with 7% compared to 2008.

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

## **1.2. Profit and loss account**

The status of the profit and loss account as at June 30, 2009 is as follows:

<b>Indicators</b>	<b>lei</b>		
	<b>30.06.2008</b>	<b>30.06.2009</b>	<b>%</b>
Turnover	31,322,038	34,211,690	109,22
Total revenues	34,080,818	39,083,474	114,68
Total expenses	22,983,044	27,977,816	121,73
Gross profit	11,097,774	11,105,658	100,07
Income tax	1,787,799	1,781,113	99,63
<b>Net profit</b>	<b>9,309,975</b>	<b>9,324,545</b>	<b>100,16</b>

<b>Positions of operating expenses</b>	<b>lei</b>		
	<b>30.06.2008</b>	<b>30.06.2009</b>	<b>%</b>
Expenses with raw materials, materials	8,501,075	8,538,192	<b>100,43</b>
Costs of energy and water	991,060	910,105	<b>91,83</b>
Personnel expenses	4,810,603	5,206,954	<b>108,24</b>
Value adjustments on tangible and intangible assets	1,882,323	2,116,287	<b>112,43</b>
Expenses on external services, other operating expenses	5,154,504	7,253,057	<b>140,71</b>
<b>Operating expenses</b>	<b>22,471,668</b>	<b>26,587,995</b>	<b>118,32</b>

## **1.3 Indicators**

<b>INDICATORS</b>	<b>30.06.2009</b>	<b>30.06.2010</b>
<b>Operating profit rate</b>		
Profit before interest and tax (A)	11,205,901	11,180,892
Income from operations (B)	32,373,682	36,188,820
<b>A/B</b>	<b>34.61</b>	<b>30.90</b>
<b>Net profit rate</b>		
Net profit (A)	9,309,975	9,324,545
Total revenues (B)	34,080,818	39,083,474
<b>A/B</b>	<b>27.32</b>	<b>23.86</b>
<b>EBITDA/Net turnover</b>		
EBITDA	13,164,373	13,297,179



Net turnover	31,322,038	34,211,690
<b>A/B</b>	<b>42.03</b>	<b>38.87</b>
<b>General liquidity rate</b>		
Current assets	57,865,028	70,984,917
Total assets (B)	8,362,117	7,956,462
<b>A/B</b>	<b>6,92</b>	<b>8,92</b>
<b>Rapid rate of liquidity</b>		
Current assets	57,865,028	70,984,917
Inventories	10,201,296	12,620,662
Current liabilities	8,362,117	7,956,462
<b>(A-B)/C</b>	<b>5.70</b>	<b>7.33</b>

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

Biofarm - S.A. is a company producing medicines and food supplements for human use. In this capacity, the company is subject to special laws regarding the authorisation of units for medicines production. Currently, the company is certified in compliance with the requirements of EN ISO 9001:2000 and in accordance with the Guidelines of Good Manufacturing Practice (GMP) for all production lines.

In the period January to June 2009, a turnover of 34,211,690 lei was recorded, with an increase of 9.2% from the same period of last year.

Regarding the performance of Biofarm in the pharmaceutical market, according to the specialized rapporteurs\* in the first half of 2009 the company recorded a decrease of (4.31%)\* in total sales, in units, compared to the same period of 2008, while the local pharmaceutical market registered a decrease of (15.73%) \*\*. The total pharmaceutical market has decreased in units with (10.85%) \*\*\*.

During January-June 2009 the pharmaceutical market in Romania has faced a number of problems including the devaluation of the national currency against the euro, regulatory measures - new list of compensated medicines according to Order 75 of the Ministry of Health. Order 75 brings prejudice to local producers of generic medicines by imposing an artificial decrease in prices for locally manufactured generics, encouraging in exchange importers.

It must be mentioned that by dividing the total pharmaceutical market into two categories, namely free products (OTC\*\*\*\* and supplements) and compensated products (Rx), OTC market decreased drastically compared to the same period of last year. The structure of Biofarm portfolio consists of Rx in proportion of 20% and OTC + food supplement in proportion of 80%.

The obtained results of S.C. Biofarm S.A. in the first half of 2009 is due to the launch on the market of new competitive products, improving the presence on the market of products existing in the portfolio and to the increase of sales volume on both internal and foreign market.

\*) CEGEDIM ROMANIA data source - market in volume - units, market in value – RON

\*\*) Local pharmaceutical local market - companies that produce and sell in Romania

\*\*\*) Total pharmaceutical market - companies that produce in Romania and importers

\*\*\*\*) Medicines obtained without a prescription



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In order to better respond to its customer's requirements Biofarm launched in the first six months of the current year a series of new products, highly competitive and with sought therapeutic properties: Difebiom with Lutein, Triomega, Imunolact, Devaricid, Devaricid Plus C etc.

Biofarm strategy concentrates on a particular accent on supporting the company's products. Considering the multitude of new products launched on the market a considerable increased financial effort is required in order to support them and to increase sales.

Advertising, media and marketing campaigns conducted during the first half of 2009 have attracted new customers and helped to maintain the position of Biofarm SA on the market, during this period of incipient crisis.

Efficiency, quality and affordability are emblems of Biofarm portfolio, attracting the loyalty and trust of entire generations of patients and professionals and the results obtained in the first half of 2009 prove that Biofarm S.A. is recognized as a traditional producer of some medicines and supplements of high quality at an affordable price for consumers.

S.C. Biofarm S.A. acts on markets such as:

- products for the digestive system;
- products for the musculoskeletal system;
- vitamins
- multivitamins
- antiseptics and disinfectants
- products for the respiratory tract;

According to the data of the balance sheet at 30.06.2009 the total inventory level does not change compared to that recorded in the same period of last year, under conditions of sales increase of approximately 10%. Besides the effort of maintaining inventories at an optimal level, the company has focused its attention on improving working conditions and methods with the providers, following criteria such as:

- Selecting providers based on quality, transmitted documents, the lowest prices and optimal payment terms.
- Extension of payment term for internal and external services providers.

The total value of sales of finished products in the first half of 2009 increased in value, being of 34,079,337 lei. During January - June 2009 S.C. BIOFARM S.A. sold more with approximately 2,800,000 lei, representing an increase of 9% compared to the same period of 2008. The financial results for the first 6 months of 2009 register a net profit of 9,324,545 RON and they do not include the revaluation of the portfolio of shares held by BIOFARM SA on various companies listed on BSE.

In the first half of 2009 export sales grew in value with 21%. In 2009 Biofarm SA has filed for registration of a total of 22 products in 3 countries, of which one product has received approval for registration.

In a highly competitive pharmaceutical market, S.C. Biofarm SA has managed to maintain its position through continuous improvement and diversification of product range and also through sustained campaigns to promote their products. Products quality, competitive prices and efficient ways of promotion place Biofarm in the top 10 medicines producers.

Biofarm will maintain and continue this development strategy based on the extension and improvement of products portfolio and on accessing new commodity markets. Also, it shall



continue to invest in the development of production capacity and in sustaining the products on the market and also to ensure a constant increase of the company.

S.C. Biofarm S.A. has annual signed selling contracts with the most important distributors on the pharmaceutical market that have a good sales percentage of products in pharmacies. Therefore, during January – June 2009m the distribution was made mainly with the first 10 distributors, according to the classification of the pharmaceutical market, from a total of approximately 150 distributors who hold a market share of approximately 70%.

In this period there were no incidents in the collaboration with these distributors not in terms of the sale or sales cashing.

### **3. Own capitals**

In 2009 there were no variations in share capital, its value being 109,486,150 lei with a nominal value per share of 0.1 RON.

The structure of shareholding as at 30.06.2009 was the following:

	<b>Number of shares</b>	<b>%</b>
S.I.F. OLTENIA S.A.	190,773,427	17,4244
S.I.F. MOLDOVA S.A.	125,493,144	11,4620
S.I.F. BANAT-CRISANA S.A.	157,745,894	14,4078
AVAS	11,448,753	1,04568
PERSOANE FIZICE SI JURIDICE	609,400,281	55,6602
<b>Total Shares</b>	<b>1,094,861,499</b>	<b>100,00000</b>

Own capitals increased by 7,19% in the first semester of 2009 compared to December 31, 2008.

**Chairman of the Board of Directors,**

**Dănuț Vasile**

*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,*



