

<<Translation from *Romanian*>>

**BIOFARM S.A.**

Notes to the financial statements 30.06.2009



**BIOFARM S.A.**  
**STATEMENT ON PATRIMONY CHANGES**  
(amounts are expressed in LEI, unless specified otherwise)

Description	Capital	Revaluation reserves	Legal reserve	Other reserves	Own shares	Losses related to capital instruments	Retained earnings/financial year	Distributed profit	TOTAL
<b>Total equities on 1 January 2008</b>	<b>97,755,491</b>	<b>32,485,820</b>	<b>3,841,722</b>	<b>1,974,121</b>	<b>-813</b>	<b>-173,154</b>	<b>15,918,036</b>	<b>-777,527</b>	<b>151,023,696</b>
2007 profit distribution				12,736,686			-12,736,686		0
Capital increase	11,730,659			-11,730,659					0
Costs afferent to capital increase									0
Revaluation reserve difference		-214,735		214,735					0
2008 financial year result							-21,310,154		-21,310,154
Own shares									0
Legal reserve distribution			-25,331	25,331			-777,527	777,527	0
<b>Total of equities 31 December 2008</b>	<b>109,486,150</b>	<b>32,271,085</b>	<b>3,816,391</b>	<b>3,220,214</b>	<b>-813</b>	<b>-173,154</b>	<b>-18,906,331</b>	<b>0</b>	<b>129,713,542</b>
2008 profit distribution									0
Capital increases									0
Costs afferent to capital increase									0
Revaluation differences									0
Financial year result (1 <sup>st</sup> semester 2008)							9,324,545		9,324,545
Legal reserve distribution									0
Other reserves									0
Own shares									0
<b>Total equities 30.06.2009</b>	<b>109,486,150</b>	<b>32,271,085</b>	<b>3,816,391</b>	<b>3,220,214</b>	<b>-813</b>	<b>-173,154</b>	<b>-9,581,786</b>	<b>0</b>	<b>139,038,087</b>

In the positions "Other reserves" and "Retained earnings" reserves from tax facilities are also contained. When changing the destination of these reserves, the income tax is recalculated on these amounts and delay interests and penalties will be calculated from the date of application of the respective facility.



**BIOFARM S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(amounts are expressed in LEI, unless specified otherwise)

**NOTE 1. FIXED ASSETS**

Description	INTANGIBLE ASSETS	TANGIBLE ASSETS					TOTAL
		Lands	Constructions	Technical installations and transportation means	Furniture and office equipment	Advances and assets in progress	
<b>Cost</b>							
On 31.12.2008	2,370,541	31,787,160	13,965,159	45,459,075	708,064	1,879,447	93,798,905
Inputs	31,113	-	265,951	1,349,753	51,766	436,666	2,104,136
Revaluation	-	-	-	-	-	-	-
Outputs/transfers	-	-	-	367,221	-	-	367,221
<b>On 30.06.2009</b>	<b>2,401,654</b>	<b>31,787,160</b>	<b>14,231,110</b>	<b>46,441,607</b>	<b>759,830</b>	<b>2,316,113</b>	<b>95,535,820</b>
<b>Amortisation</b>							
On 31.12.2008	1,036,417	-	6,202,708	17,126,799	333,080	-	23,662,587
Inputs	140,380	-	226,394	1,377,842	36,000	-	1,640,235
Revaluation	-	-	-	-	-	-	-
Outputs/transfers	-	-	-	-	-	-	-
<b>On 30.06.2009</b>	<b>1,176,797</b>	<b>-</b>	<b>6,429,102</b>	<b>18,504,641</b>	<b>369,080</b>	<b>-</b>	<b>25,302,822</b>
<b>Provisions</b>							
On 31.12.2008	-	-	-	13,504	-	-	13,504
Inputs	-	-	-	-	-	-	-
Outputs/transfers	-	-	-	-	-	-	-
<b>On 30.06.2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,504</b>	<b>-</b>	<b>-</b>	<b>13,504</b>
<b>Net value</b>							
<b>On 30.06.2009</b>	<b>1,224,857</b>	<b>31,787,160</b>	<b>7,802,008</b>	<b>27,923,462</b>	<b>390,750</b>	<b>2,316,113</b>	<b>70,219,494</b>
<b>On 31.12.2008</b>	<b>1,334,124</b>	<b>31,787,160</b>	<b>7,762,451</b>	<b>28,318,772</b>	<b>374,984</b>	<b>1,879,447</b>	<b>70,122,814</b>



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

---

1. Tax amortisation is calculated using all the methods allowed by the Law no. 15/1994, starting with the month following the one corresponding to the commissioning. The useful life is established based on the provisions of Law no. 15/1994, with subsequent amendments and completions.

2. Accounting amortisation is calculated using the linear method, in accordance with IAS 16. For the new fixed assets, entered in 2009, concerning installations, machinery and measurement and control devices, useful life, were established considering the following:

- estimated level of usage based on the use of asset's capacity;
- maintenance and repair program practiced by BIOFARM on installations and machinery;
- obsolescence determined by possible changes of the production process, depending on the portfolio structure of products provided by the company.

3. On 30.06.2009, the company does not own a property title on the land in use from no. 99 Logofat Tautu Street. For the land located on no. 40-42 Iancu de Hunedoara Street the ownership title was obtained during 2007.

**NOTE 2. PROVISIONS AND ADJUSTMENTS FOR DEPRECIATION**

According to O.M.F. (Order of the Ministry of Finance), starting with 2006, the deferred tax is reclassified in the balance sheet from the category of debts and receivables to the category of regulated provisions. Thusly, on 30.06.2009, a provision appears to be created for taxes amounting 1,635,397 lei.

<b>Destination</b>	<b>31 December 2008</b>	<b>30 June 2009</b>
Provision for taxes (tax on deferred tax)	1.678662	1635797
<b>Total</b>	<b>1678662</b>	<b>1635797</b>



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

**NOTE 3.**

INDICATOR	OPERATIONS RESULT ANALYSIS
<b>1. NET TURNOVER</b>	<b>34,211,690</b>
<b>2. Cost of goods sold and of services provided (3+4)</b>	<b>(11,773,698)</b>
3. Production direct costs	(8,721,220)
4. Production overhead costs	(3,052,478)
<b>5. Gross result afferent to the net turnover (1+2)</b>	<b>22,437,992</b>
6. Sales costs	(7,995,634)
7. General administration expenses	(5,275,856)
8. Research and development expenses	(323,908)
9. Other expenses / operating income	758,230
<b>10. Result of operations (5+6+7+8+9)</b>	<b>9,600,825</b>

**NOTE 4. STATEMENT OF RECEIVABLES AND DEBTS**

**RECEIVABLES**

Description	30 June 2009	CASH	
		Under 1 year	Over 1 year
Trade receivables	25,901,173	25,901,173	
Other receivables	1,665,288	1,665,288	
<b>Total</b>	<b>27,566,461</b>	<b>27,566,461</b>	
<b>Description</b>	<b>30 June 2009</b>	<b>CASH</b>	
		<b>Under 1 year</b>	<b>Over 1 year</b>
Trade receivables	17,527,363	17,527,363	
Other receivables	1,575,260	1,575,260	
<b>Total</b>	<b>19,102,623</b>	<b>19,102,623</b>	
<i>“Trade receivables” contain:</i>			
<b>Description</b>	<b>31 December 2008</b>	<b>30 June 2009</b>	
Advances for services	10,327	12,440	
Customers	21.836.472	31.988.045	
Doubtful or litigation customers	44,673	44,673	
Provisions for the depreciation of receivables – customers	-44,673	-44,673	
Customers to be invoiced	-4,319,436	-6,099,312	
<b>Total</b>	<b>17.527.363</b>	<b>25.901.173</b>	

Customers' balance on 30.06.2009 is decreased by the amount of 7,150,558 lei, representing promissory notes received by the company. These amounts are represented in the balance sheet in the “Short-term investments” position.



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

The balance "Customers to be invoiced" mainly contains amounts representing the discounts to be invoiced in the next period afferent to sales until 30.06.2009 (including non-payable VAT).

"Other receivables" include:

Description	31 December 2008	30 June 2009
Non-payable VAT	726,774	832,918
Recoverable VAT	469,327	0
Sundry debtors	121,548	430,772
Other receivables	257,611	401,597
<b>Total "Other receivables"</b>	<b>1.575.260</b>	<b>1.665.287</b>

**LIABILITIES**

Description	30 June 2009	CHARGEABILITY	
		Under 1 year	Over 1 year
Advance payments received on account of orders	3,263	3,263	
Trade payables	5,083,026	5,083,026	
Amounts owed to credit institutions	0	0	0
Other liabilities including tax liabilities and other liabilities for social securities	3,830,895	2,870,360	960,735
<b>Total</b>	<b>8.917.184</b>	<b>7.956.449</b>	<b>960.735</b>

Description	30 December 2008	CHARGEABILITY	
		Under 1 year	Under 1 year
Advance payments received on account of orders	3285	3285	
Trade payables	11,236,174	11,236,174	
Amounts owed to credit institutions	1,205,745	964,626	241,120
Other liabilities including tax liabilities and other liabilities for social securities	2,654,094	1,868,508	785,586
<b>Total</b>	<b>15,099,299</b>	<b>14,072,593</b>	<b>1,026,706</b>

"Trade payables" contain:

Description	31 December 2008	30 June 2009
Suppliers	9,275,066	3,846,539
Suppliers of assets	529,549	246,628
Suppliers – invoices to be received	1,431,559	989,859
<b>Total</b>	<b>11,236,174</b> <b>9,105,728</b>	<b>5,083,026</b>



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

The current part for the position “*Other debts*” that must be paid within a period of up to one year includes:

Description	31 December 2008	30 June 2009
Liabilities with regard to personnel	379,539	319,432
Unit’s contribution to social security	191,400	175,850
Insured’s contribution to social security	96,061	87,283
Unit’s contribution to the unemployment fund	6,941	5,634
Personnel’s contribution to the unemployment fund	4,886	4,016
Unit’s contribution to the health fund	52,487	43,242
Insured’s contribution to the health fund	55,275	45,101
Current income tax	145,944	737,705
VAT to be paid		485,408
Income tax	141,201	103,696
Special funds – fees and similar payments	3,247	
Sundry creditors	518,2	2,136
Current part afferent to the financial leasing	734,056	876,837
Other liabilities	56,953	-15,980
<b>Total</b>	<b>1,868,508</b>	<b>2,870,360</b>

**NOTE 5. PRINCIPLES, POLICIES AND ACCOUNTING METHODS**

Accounting policies applied in these financial statements are presented in the following.

**5.1. BASIC CONCEPTS**

*Accrual accounting*

Financial statements are elaborated in compliance with accrual accounting. In this manner, the effects of transactions and other events are recognises when transactions and events occur (and not as the cash or its equivalent is cashed or paid) and they are registered in accounting records and in the financial statements for the corresponding periods.

*The principle of activity continuation*

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.

**5.2 ACCOUNTING PRINCIPLES**

*The principle of method permanence*

This implies the continuation of applying the same regulations and rules concerning the evaluation, registration in accounting and the presentation of patrimony elements and of results as well, ensuring the comparability in time of accounting information.

*The principle of prudence*

The value of patrimony elements was determined based on prudence principle. The following aspects were considered:



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

---

- a) only the profits recognised until the date of financial year conclusion were considered;
- b) all predictable liabilities and possible losses that resulted during the concluded financial year or during the previous financial year were considered, even if such obligations or losses appeared between the date of financial year conclusion and the date of balance sheet elaboration;
- c) all value adjustments subsequent to depreciation were taken into consideration.

***The principle of financial year independence***

All income and expenditures corresponding to the financial year for which the reporting is done were taken into consideration, not considering the date of amounts cashing or of payments.

***Principle of separate evaluation of asset and liability items***

In order to establish the total value corresponding to one position in the balance sheet, the value corresponding to each asset and liability item was determined separately.

***No-offsetting principle***

The values of items representing assets were not compensated with the values of items representing liabilities, respectively income with expenses, except for the compensation between assets and liabilities admitted by the accounting regulations.

***Substance over form principle***

The information presented in financial statements reflects the economical reality of events and transactions, not only their juridical form.

***Principle of significance threshold***

Items with significant value were presented distinctly within financial statements. The items with non-significant values having the same nature or with similar functions were summed, their separate presentation not being required.

***Use of estimates***

For those items whose values are uncertain and which must be included in the financial statements, the best estimations must be made in accounting. For this purpose, the patrimony items values were reviewed in order to reflect the events subsequent to the closing date of the financial year, the change of circumstances or the acquisition of new information.

The events that appeared after the balance sheet date and that provided additional information with regard to the estimations made by the management at the date of balance sheet determined the adjustment of patrimony items in order to also reflect additional information.





**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

---

### **5.3 POLICIES AND ACCOUNTING METHODS**

The company holds the accounting records in the national currency “LEI” and it elaborates the financial statements in compliance with the Accounting and Reporting Regulations issued by the Ministry of Finance of Romania.

The financial statements comprised in this report are elaborated in compliance with the provisions of PFMO no. 3055/2009 for the approval of Accounting Regulations harmonised with the European Directives.

The highlighted amounts are expressed in LEI.

#### ***Conversion of amounts expressed in foreign currency***

Transactions of the company performed in foreign currency are accounted at the exchange rate from the date of transaction: the profit and losses resulted from the reimbursement of such transactions and from the transformation of assets and monetary liabilities in foreign currency are outlined in the profit and loss account. The assets and liabilities in foreign currency are transformed in lei at the official exchange rate from the last day of reporting period.

#### ***Fixed assets***

Fixed assets are initially registered in the accounting balance sheet at the historic cost, less cumulated amortisation.

For the calculation of amortisation, the following are used:

- ◆ linear method for existing fixed assets in operation on 31.12.1999
- ◆ linear and digressive method for fixed assets put in operation after 31.12.1999
- ◆ linear, digressive and accelerated method for fixed assets put in operation between 2003- 2009.

For new fixed assets, entered in 2009, such as installations, machines and measurement and control equipment, useful life duration were established considering:

- the estimated use level based on the use of asset's capacity;
- the repair and maintenance program practised by BIOFARM on installations and machinery;
- obsolescence determined by possible changes in the manufacturing process based on the structure of products portfolio supplied by the company.

Used life spans are the following:

Buildings and constructions	30-50 years
Equipment and installations	7-20 years
Transportation means	4-5 years
Calculation technique	2-4 years
Furniture and office equipment	3-15 years
Software	1 years

The investment in progress is amortised starting with the commissioning moment.



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

---

Expenses with maintenance and repairs of fixed assets are outlined in the operational expenditures in the moment of their performance, and the improvement works that lead to the increase of life spans or to the increase of production capacity are capitalised.

***Inventories***

Inventories of raw materials and materials are outlined at the acquisition value. The removal of goods from inventories is made using the FIFO method.

The products inventories in course of execution are outlined at the value of raw materials and materials included in them.

The finished products inventory is registered at production cost at the moment of manufacturing completion.

***Receivables***

Receivable are presented in the balance sheet at the historic value less constituted provisions for depreciation in the cases in which it was noticed that the realisable value is lower than the historic value.

***Tax***

Deferred tax is calculated using the liability method, for all the temporary differences resulting between the tax basis of assets and liabilities and their nominal values for the purpose of financial reporting. In order to determine the deferred tax the current tax rate was used and namely 16 %.

Deferred tax savings are taken into consideration to the extent that it is possible to exist a future taxable profit that would cover the report of unused losses.

***Pensions and other post retirement benefits***

The company does not finance pensions and does not have a benefits plan in case of retirement for its employees. All employees of the company are part of a pensions plan financed by the Government of Romania. Thusly, the Company has no obligation with regard to the pensions plan.

**NOTE 6. PARTICIPATIONS AND FINANCING SOURCES**

The subscribed share capital of the company on 30 June 2009 is of 109,486,150 LEI, entirely private, the nominal value of one share being of 0.1 lei/share.

The ownership structure on 6 May 2009 is 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	1,0457



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

INDIVIDUALS AND LEGAL PERSONS	609,400,281	55,6601
<b>Total of shares</b>	<b>1,094,861,499</b>	<b>100,00000</b>

**NOTE 7. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND DIRECTORS**

There are no contractual obligations with regard to the payment of pensions to former managers and administrators.

No credits were granted to directors and administrators during the 1st semester of 2009.

**NOTA 8. MAIN ECONOMIC-FINANCIAL INDICATORS**

<b>PROFITABILITY AND RETURN ON CAPITAL</b>	<b>31.12.2008</b>	<b>30.06.2009</b>
<b>Effectiveness of available capital</b>		
Profit before interest and tax (A)	(18,666,909)	11,180,892
Available capital (B)	130,740,249	139,998,822
<b>A/B</b>	<b>(14.28)</b>	<b>7.99</b>
<b>Equity effectiveness</b>		
Net profit (A)	(21,310,153)	9,324,545
Equity (B)	129,713,543	139,038,087
<b>A/B</b>	<b>(16.43)</b>	<b>6.71</b>
<b>Operating profit margin</b>		
Profit before interest and tax (A)	(18,666,909)	11,180,892
Income from operations (B)	66,351,673	36,188,820
<b>A/B</b>	<b>(28.13)</b>	<b>30.90</b>
<b>Net profit rate</b>		
Net profit (A)	(21,310,153)	9,324,545
Total revenues (B)	70,506,360	39,083,474
<b>A/B</b>	<b>(30.22)</b>	<b>23.86%</b>
<b>Rate of total assets</b>		
Profit before interest and tax (A)	(18,666,909)	11,180,892
Total assets (B)	146,922,696	149,446,143
<b>A/B</b>	<b>(12.71)</b>	<b>15.57%</b>
<b>SOLVENCY</b>		
<b>Debt ratio</b>		
Total liabilities (A)	15,099,299	8,959,496
Total assets (B)	146,912,266	149,446,143
<b>A/B</b>	<b>10.28</b>	<b>5.99</b>
<b>Rate financial autonomy</b>		
Equity (A)	129,713,542	139,038,087
Total assets less net current liabilities (B)	132,819,948	141,635,412
<b>A/B</b>	<b>97.66</b>	<b>98.17</b>
<b>Interest coverage ratio</b>		
Profit before interest and tax (A)	(18,666,909)	11,180,892



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

Interest (B)	206,209	75,234
<b>A/B</b>	<b>(91)</b>	<b>14861.50</b>
<b>LIQUIDITY AND WORKING CAPITAL</b>	<b>31.12.2008</b>	<b>30.06.2009</b>
<b>General liquidity rate</b>		
Current assets	68218208	70984917
Current liabilities	14072593	7956462
<b>(A/B)</b>	<b>4.85</b>	<b>8.92</b>
<b>Rapid rate of liquidity</b>		
Current assets	68218208	70984917
Inventories	12668859	12620662
Current liabilities	14072593	7956462
<b>(A-B)/C</b>	<b>3.95</b>	<b>7.33</b>
<b>Cashing customers period</b>		
Trade receivables (A)	27938453	25945845
Net turnover (B)	65102889	34211690
<b>(A/B)*365- days and 180 days</b>	<b>157</b>	<b>137</b>
<b>Period for immobilization of inventories</b>		
Inventories (A)	12668859	12620662
Cost of sold production (B)	23763591	11773698
<b>(A/B)*365- days and 180 days</b>	<b>195</b>	<b>193</b>

**NOTE 9. OTHER INFORMATION**

**Company presentation**

The commercial company BIOFARM S.A. produces medicines for human use with registered office in Bucharest, no. 99 Logofat Tautu Street. The Company's main activity is the production and trading of pharmaceutical products.

The Company was founded in 1991, pursuant to Law no. 15/1990 and to Law no. 31/1990 and in accordance with G.D. 1224/1990 and is registered with the Trade Register under no. J40/199/1991.

**Information regarding the income tax**

The income tax to be paid was calculated taking into account influences of non-deductible expenses, respectively of taxable income, of tax facilities as well as of deferred tax effects.

Reconciliation between the accounting and tax profit that was based on the calculation of income tax is presented in the following table:

<b>Name of indicators</b>	<b>30 June 2009</b>
Total revenues	39,083,474
Total expenditures (less income tax)	27,977,816
<b>Accounting result</b>	<b>11,105,658</b>



**BIOFARM S.A.**  
**INFORMATION REGARDING INTANGIBLE ASSETS (CODE 40)**  
(amounts are expressed in LEI, unless specified otherwise)

Income tax (tax result x 16%)	1,847,926
Income tax reductions calculated according to the legislation in force	66,813
<b>Total income tax</b>	<b>1,781,113</b>

**GENERAL MANAGER,**  
**DANUT VASILE**  
*Signature*

**CONTROLLER,**  
**PAUL SOITU**  
*Signature*

-----

*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,*



