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Translation from ***Romanian***

FINANCIAL FORECAST POLICY

1. Functions and objectives of financial forecast

Forecast is a process by which organisations try to anticipate the changes and to adapt so as to ensure the achievement of company objectives. Financial forecast must facilitate both the current management and the company development.

Forecast is a future-oriented activity and represents the process of setting objectives and what should be done to achieve these objectives.

The challenge in the planning/forecast process consists in making decisions that successfully ensure the future of the organisation. Planning is a process that is not concluded with the creation of a plan, but it continues with its implementation, considering that, in the implementation and control stage, the plan may require improvements or modifications meant to make it more efficient.

The beneficiaries of financial forecasts are:

- Shareholders;
- BIOFARM management;
- Financers (banks, credit institutions);
- Business environment.

In the preparation of the financial forecast, the rational organisation of the activity of production, investments, services provision, the use as complete as possible of the technical, material and financial potential, timely contracting of the production, timely payment of contractual and financial obligations to the state and banks, as well as to the internal and external market conditions is considered.

The process for preparing the financial forecast is based on correlations between the economic and social objectives on the one hand and the financial ones on the other hand, on increasing efficiency, on identifying and mobilising internal reserves, on strengthening company functioning on efficiency and profitability criteria, on increasing the initiative, autonomy and accountability in the use of the patrimony and own and borrowed funds.

Within the financial management of the company, the forecast tools meet several functions such as: planning function, control function, function for ensuring profitability, liquidity, financial balance and optimal capital management.

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2. Financial forecast tools. Types of budgets

Financial forecast is presented under the following forms:
- long and medium term strategic forecast;
- short term forecast.

Long and medium term forecast refers to the competitive, technological and strategic aspects of the company management and involves a longer time horizon. It refers to aspects such as the company mission or establishing organisational objectives. Medium and long term strategic plans are realised by managers in top hierarchical level from the company.

Strategic forecast is a continuous operation in which all company departments are involved.

It is materialised in annually reviewed strategic objectives. The main objectives refer to the company position in the pharmaceutical market, to the plans to release new products, to finding alternative suppliers for the main raw materials involved in the production process etc.

Short term forecast consists in preparing budgets. Budgets can be classified in two main categories: operating budgets and financial budgets.

Operating budgets comprise in their structure: the finished products and goods sales plan, the production plan, the plan for the supply with raw materials and materials involved in the production process.

Financial budgets are presented under the following main forms:

a) general budget of the company or the income and expenditure budget;
b) investments and financing budget;
c) cash flow.

a) Income and expenditure budget: reflects the synthesis indicators on all categories of activities, income, expenses and financial results. This budget is annually prepared based on the information supplied by the company departments, having the mission of a general leadership instrument of its management.

The income and expenditure budget is subject to approval of the General Meeting of Shareholders.
In order to achieve the annual objective, falling within the budgeted amounts is aimed and adjustments of income and expenditure are performed for reaching annual targets.

b) Investments and financing budget: reflects the investments and financing plan.

The investments budget is subject to approval of the General Meeting of Shareholders and its execution is monitored on a monthly basis by the involved departments and the financial department.

c) Treasury budget or the forecasted cash flow presents cash inflows and outflows and cash equivalents in the analysed period.

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The forecasted cash flow is elaborated based on the operating budget and the investments plan and is influenced by the inventories policies and the forecasted deadlines for cashing and payment.

To conclude, the treasury budget has a particularly important role in the optimal management of own and borrowed financial resources of the company and financial cash inflows or outflows must provide the financial balance of the activity.

A realistic forecast and the classification within the objectives set are essential for the company development and for maintaining it in a competitive market.

B.D. Chairman

Danut 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. 26730/2009,