

We care by giving our very best

Hemofarm Sustainability Report 2012



Welcome
to our
journey to
a healthier
and better
future!

Dear All,

It is our pleasure to present the first annual Hemofarm Sustainability Report, which is about operations of our company, Hemofarm a.d. Vršac in 2012. Reporting compliance with Global Reporting Initiative guidelines, as well as the accuracy of the presented information, has been confirmed by the external auditing company KPMG d.o.o. Belgrade. According to Global Reporting Initiative (G3.1) standards, the aforementioned report fulfills the requirement of Application level B+. This is the highest achieved grading in Serbia and the region of former Yugoslav countries.

We are very proud to present our strategy of integrating sustainable development principles into all the segments of our operations, thus ensuring a better and healthier life, environmental protection, and successful economic, cultural, and social development.

Our approach to business is based upon four key values: Care, Quality, Availability, and Trust, and our corporate slogan is "All the Best!". "All the Best" approach reflects our corporate philosophy that aims at life quality and health improvements.

For more information about Hemofarm please visit www.hemofarm.com. Your opinion is very important to us: please contact us directly at svakodobro@hemofarm.com.

The photos show employees and production lines of Hemofarm, and their author is Nebojša Babić, Studio Orange; photos were taken in October 2013.

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Foreword by Hemofarm Board of Directors

Dear friends, partners
and colleagues,

Hemofarm is a company with a tradition of 53 years, but also an innovative company that takes care about socially responsible and transparent operations, and most of all it takes care of people – employees, business partners, local community and the environment in which it operates. The start of reporting on sustainable development is a continuation of continuous development our company has been experiencing since it was founded.

Hemofarm Sustainability Report before you has two very important goals. On the one hand, it is a guide for perfecting and continuing the consistent implementation of sustainable development principles, while on the other hand, it enables employees, associates, business partners and consumers a good starting platform for dialog with the company, whose purpose is to create conditions for an even development of the company and its environment.

We have presented what Hemofarm did in 2012 on realization of business goals. We have

Successful and sustainable development is not reflected only in profit but also in improving the quality of life of people and social responsibility toward the community.

adopted a new collective contract, which further improved our employees' rights, we developed a system of direct supplying of pharmacies to improve market supplying, and to make drugs more available to users, and we have produced more products than ever. We have been improving our systems of quality control to make sure all the products are absolutely in the service of health of our consumers, we invested in construction of a primary water processor and built storages where safety was taken to the next level.

These results undoubtedly show the strategic determination of Hemofarm to continuously improve its operations and contribute greatly to economic development, as well as to provide a better place for life for local communities in which it operates. That is why in this sustainability report we have presented a series of important activities we are taking to prevent unwanted effects of our operations on the environment.

We are proud of Hemofarm's achievements from 2012 and we hope that in the next report on sustainable development we will be able to share even more impressive results of our operations, as well as the care we show to the community we operate in. We invite all of you to join us on the road to a healthier and better future.

The start of reporting on sustainable development is a continuation of steady development our company has been experiencing since it was founded.

All the best! ☺

Hemofarm Board of Directors



Ronald Seeliger
Chairman and Managing Director



Sonja Pejovic
Technical Operations



Saša Ostojić
Marketing and Sales



Dušan Milutinović
Finances

Foreword by the Communications and Sustainable Development Director



We believe that company growth and development has to be closely connected to contribution to and improvement of the environment.

As the first pharmaceutical company in Serbia to publish a Sustainability Report, our desire is to give a good example of CSR and thus encourage other companies to use this business model.

Hemofarm is confirming its leading position in the market primarily through its high quality of products, and application of the demanding global manufacturing standards. This recipe has been developed since the foundation of our company and is the corner stone of each one of our products, projects or activities.

Hemofarm's Sustainability Report in front of you presents a continuation of our dedication to improving operations and years of activities in the CSR area and of Hemofarm Foundation. By preserving, developing and making the community we operate in a better place to live, we are providing a better environment for the future generations. That is why this is the best way to transparently indicate all the crucial social, economic and environmental challenges we are facing every day.

Also, we are developing as a company that is open and ready for a dialog with everyone, a company that continuously improves the dialog and acknowledges it in every segment of its operations.

That is how we build and maintain the trust we are being given.

We are certain that company growth and development has to be closely connected to contribution to and improvement of the environment.

The dedication to sustainable development is and will be our priority for successful long-term operations.


Natalija Popović
Communications and Sustainable
Development Director

**Hemofarm's
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a continuation of
our dedication
to improving
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CSR area and
of Hemofarm
Foundation.**



We care by giving
our very best

Hemofarm Sustainability Report 2012



About the Company

About the company

Hemofarm a.d. was founded on 1st June 1960. The company's headquarters are in Vršac, at Beogradski put bb. The core activity of Hemofarm is production of high-quality, effective, safe and available generic pharmaceutical products while applying state-of-the-art technologies.

The Hemofarm Group has factories in Vršac, Podgorica, Šabac and Banja Luka, a plant in Dubovac, as well as a laboratory in Timisoara.

Manufacturing Complex in Vršac

The complex consists of a manufacturing plant that produces medicine of solid form and dosages, with a surface area of 12,000 m², which was put into operation in 1996, sterile products plant, injectables plant covering the surface area of 5.000 m², opened in 2003, and infusion solutions plant covering the surface area of 3.500 m², which was reconstructed in 2009.

Antibiotics Plant in Dubovac

The plant in Dubovac has been adjacent to the manufacturing complex in Vršac, which was relocated to a site at an adequate distance from central production for precautionary reasons. The plant for manufacturing beta-lactam, or otherwise known as penicillin antibiotics, was opened in Dubovac in 1994.

Factory in Podgorica

Hemomont in Podgorica, which started operations in 1994 as a factory for production of infusion solutions, ophthalmology products and cephalosporin antibiotics, is the first pharmaceuticals factory in Montenegro.

Factory in Šabac

Hemofarm d.o.o. Šabac was established following the acquisition of the former Zorka Pharma in 2002. After integration of Zorka Pharma into the Hemofarm system, annexation and modernization of the production of solid dosage forms, liquid and semi-liquid products were carried out in, within the scope of investment activities.

Factory in Banja Luka

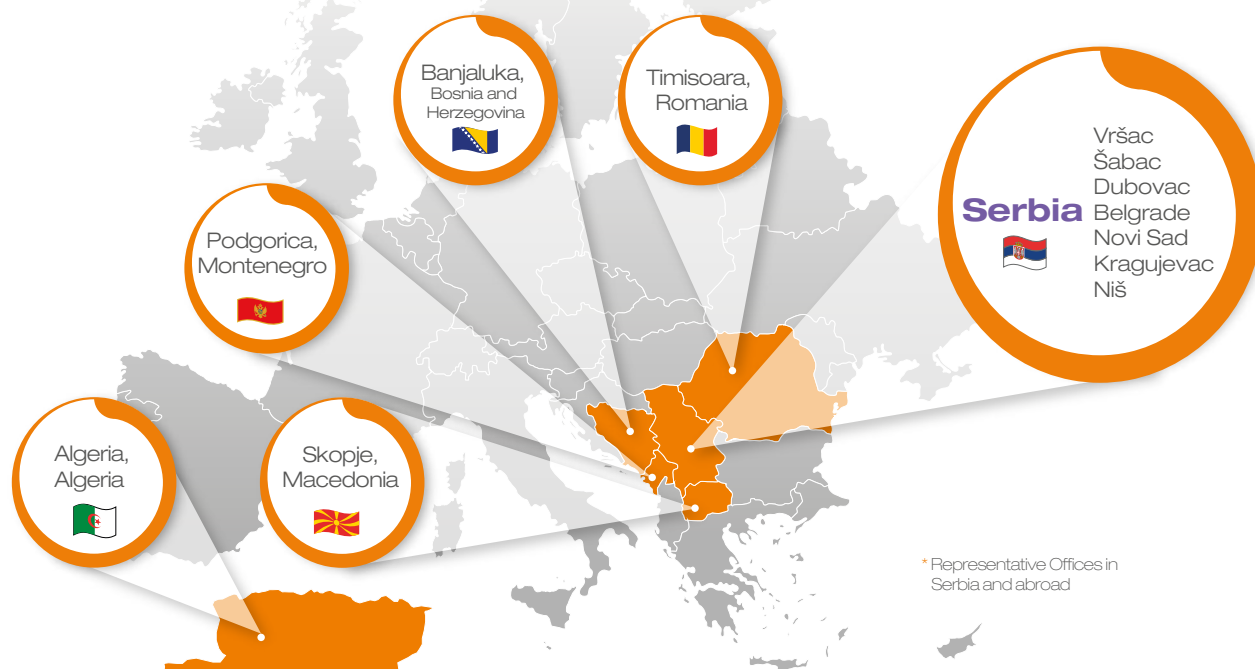
The factory for solid dosage forms manufacturing in Banja Luka, covering a surface area of 3.300 m², was put into operation in February 2003, and its capacities were expanded to 550 million tablets after five years of operation. The factory was designed in line with the GMP principles and standards and provided with the top-quality equipment of West European manufacturers.

Besides the Vršac-located headquarters, Hemofarm has a parent company branch registered in Belgrade. In addition to it, Hemofarm has several representative offices in the country, specifically - in Niš, Novi Sad and Kragujevac, as well as a subsidiary in Šabac. Hemofarm also possesses subsidiaries abroad – in Macedonia, Bosnia and Herzegovina, Montenegro, Romania and a representative office in Algeria.

The most important advantages of Hemofarm include:

- motivated professionals striving to achieve top-level results,
- technological superiority reflected in the use of state-of-the-art technologies and high pharmaceutical standards,
- a well-rounded and contemporary product range,
- quality management and certification as a confirmation of our quality,
- top-quality research and development

Hemofarm group in Serbia and abroad



Operations in countries of SEE, EU, Middle East, developed Africa and CIS;

Hemofarm in numbers

LEADING PHARMACEUTICAL COMPANY WITH APROX **20%** MARKET SHARE.

IN **2006** HEMOFARM BECAME A PART OF THE GERMAN STADA GROUP

THE LARGEST EXPORTER OF MEDICINAL PRODUCTS IN SERBIA

COMPANY WITH **1.682** EMPLOYEES

SURFACE AREA OF BUSINESS AND MANUFACTURING PREMISES EXCEEDS **80.000 m²**

OPERATES IN **30** COUNTRIES ON **3** CONTINENTS

3,3 BILLION TABLETS MANUFACTURED IN **2012**

Hemofarm over the Years

- Hemofarm, factory for production of pharmaceutical, chemical and disinfecting agents, was founded
- The first product "Aminopyrine" was registered

1960

- A new infusion solutions line was put into operation

1985

- Research and Development Department was formed

1990

- Hemofarm Foundation was established

1993

1994

- 1st March – a modern antibiotics plant was put into operation in Dubovac

1999

- German Patent and Trade Mark Office verified the first Hemofarm's patent – Procedure for Haemoglobin Isolation and Its Application

2001

- Hemofarm's pharmaceuticals appeared in German pharmacies for the first time
- Obtained the first EU GMP Certificate for production of capsules in the Solid dosage forms plant in Vršac – by MCA, UK

2002

- Hemofarm acquired the majority share of the Šabac-located Zorka Pharma

- 21st February – Hemofarm d.o.o. Banja Luka was the first pharmaceuticals factory opened in Republika Srpska,
- Factory for sterile production of injectables was put into operation and infusion solutions plant reconstruction was completed
- Obtained the EU GMP Certificate for production of solid dosage forms in Vršac – by RP Darmstadt, Germany

2003

- In September - a new Zorka Pharma plant for production of syrups, ointments, solutions and suppositories was opened and adaptation of a part of solid dosage forms plant was completed
- Obtained the EU GMP Certificate for production of infusion solutions in Vršac – by RP Sachsen Anhalt, Germany

2004

- 9th August – German company STADA officially became the majority owner of Hemofarm
- Hemofarm d.o.o. Banjaluka obtained the GMP certificate

2006

- Obtained the EU GMP Certificate for Injectable products plant in Vršac, for production of ampoules – by RP Darmstadt, Germany
- Award for corporate social responsibility was granted by the Serbia Investment and Export Promotion Agency (SIEPA)

2008

2009

- 18th May – the first shipment of Methylprednisolone was sent to the USA, via the Hamburg port

2010

- VIRTUS award for corporate philanthropy in the category Contribution to the Local Community

2011

- A new laboratory on four floors, according to EU standards of medicinal products quality control and assurance, was opened within the company STADA Hemofarm S.R.L. in Timisoara
- Obtained the EU GMP Certificate for Sterile products plant in Vršac for production of lyophilisates - by GAA Hannover, Germany
- Obtained the EU GMP Certificate for Hemomont for solid-dosage forms – by RP Darmstadt, Germany

2012

- Hemofarm was granted 'The 2012 Exporter of the Year' award which the Serbia Investment and Export Promotion Agency (SIEPA) has been awarding since 2004
- National award of the Serbian Chamber of Commerce for corporate social responsibility
- Award of the Chamber of Commerce of Vojvodina for contribution to overall development of the economy of Vojvodina and of Serbia as a whole

Mission

We care for the highest quality medication that everybody can afford.

We accomplish what others cannot accomplish and go where others cannot go. We carry out our mission by:

- Bringing highest quality medication at affordable price to Pharmacists, Doctors and people in Serbia and West Balkans;
- Creating sustainable value through superior products and top services;
- Caring being a responsible business with positive and transparent communication and to be the partner of first choice for government, customers, suppliers, patients and potential employee recruits.



Vision

**Hemofarm is leading
and the most trusted
pharmaceutical
company in Serbia
and in West Balkans.**

Hemofarm has long emphasized quality as its highest priority, which is one of the reasons the STADA Group took over the firm in 2006.

While building a reputation among customers, consumers and suppliers, Hemofarm is trying not only to contribute to improving the reputation of the entire Group, but also to secure the best possible position among the top global generic manufacturers.

WE CARE BY
GIVING OUR
VERY BEST

Core Values



Health care is our priority, while understanding and respecting your needs, through prevention and efficient therapy. Care inspires faith that everything will be good.



We are trying to make our products always available to everyone, everywhere and at all times at reasonable prices. Being available means that we are always there for you.





Our portfolio has been the outcome of continuous development, keeping pace with the highest global standards, innovative technologies, dedicated and professional team for more than 50 years. Your quality of life matters to us!



Responsibility, transparency, consistency and reliability characterize our overall business operations, and we build solid and stable relations on foundations of trust. Trust is based on your certainty that we are on your side.

Communication with Stakeholders

The professional skills and expertise of our employees is regularly offered to state authorities during the preparation of, or updating of legal regulations within the pharmaceutical industry. The purpose of this activity is not only to secure the interests of the Company and the pharmaceutical industry,

but also to harmonize legislation with global standards in order to enable uninterrupted development of the local economy. Over the course of 2012, we actively participated in public discussions on the Law on Medicines and Medical Devices, Law on Trade, Law on Health Care, and Law on Health Insurance.

SHAREHOLDERS
BANKS
INSURANCE COMPANIES
INVESTORS

LAWMAKERS
PROFESSIONAL PUBLIC

SUPPLIERS
BUYERS
EMPLOYEES
ASSOCIATIONS
UNIVERSITIES/ SCHOOLS

GOVERNMENT
PUBLIC
NGOS
LOCAL COMMUNITY
COMPETITORS

Hemofarm is also in regular communication with the representatives of local governments in communities in which we operate.

We are trying to build and maintain trust and whenever possible, to reconcile the interests of all stakeholders.

In terms of our customers, special contacts have been provided for receiving suggestions and comments on the quality of our products, which will be discussed in more detail further in this Report, in the section dealing with the safety of products. Once a year, on the anniversary of our company, we open the doors of our manufacturing plants to the public and enable citizens to visit us and become acquainted with our operations.

We communicate with customers also via the media, which are an important segment of our efforts to position ourselves in the market as a responsible company with products of reliable quality. Our PR service is always available to handle inquiries from journalists, and it acts proactively and informs the public about important events within the company,

The corporate web portal (INtranet) represents the most important channel for communication with employees. On Intranet, employees can find out more about actual events within the company, and external activities of Hemofarm through news, video footage, and photos.

The corporate magazine "Među nama" ("Among Us") is the in-house newsletter received by all employees who have access to a computer, and is printed and placed on bulletin boards located within the factory complex for employees in production and maintenance divisions who do not have everyday access to a computer.

In doing so, we want to inform all employees equally, as well as to encourage them to actively participate in the preparation of our in-house e-newsletter by sending our Communication Division news on actual events within their respective divisions and to point out individuals who distinguished themselves through their work. The in-house newsletter is issued on a quarterly basis and contains the most important information about the company's events and employees.

Communication with the media is carried out through the Communication Division which cultivates and develops relations with representatives of media companies through its activities.

By providing proven, accurate and transparent information about the company, portfolio and management, the division continuously works with the media on building partnership relations. We have also been paying increasing attention to social networks and other Internet services: Facebook, YouTube, Twitter, etc., through which we communicate with various target groups.

Memberships

Hemofarm is a Member of the Following Organizations:

German-Serbian Business Association in Belgrade (DSW)

German-Serbian Business Association in Belgrade (DSW) was founded by the German Chamber of Commerce in Belgrade (DIHK), together with numerous German companies in Serbia, at the end of 2003. DSW, with more than 250 members, represents the largest bilateral business association in Serbia. The association simultaneously represents the interests and a network of companies which are active in bilateral business relations between Germany and Serbia and Montenegro, and operates with support of the Representative Office of the German Chamber of Commerce in the globally distributed network of the German Chambers of Commerce.

Foreign Investors Council (FIC)

The Foreign Investors Council (FIC) is a business association organized with a view to providing overall support to Serbia in accepting and developing the market economy and introducing the system of European values and standards. By assuming an active role in the transition process, the Council contributes to improvement of the investment climate in Serbia by engaging in dialogue with stakeholders and expressing the attitude of investors.

American Chamber of Commerce Serbia

The American Chamber of Commerce is a

non-profit organization with the prevailing goal of mutual cooperation and friendship between Serbia and the USA in the field of trade, investment and economic development.

The American Chamber of Commerce contributes to improving and enhancing local operations suitable for direct foreign investments, and overall increase in international trade and business development. To put it another way, it gives existing companies the possibility of extending their networks, lobbying, undergoing business education and creating partnerships.

German Chamber of Commerce

The main task of the Delegation of the German Chamber of Commerce in Serbia is to provide support to German companies when entering the market, undertaking market research and establishing business contacts.

National Alliance for Local Economic Development (NALED)

NALED is a business association gathering with representative members of three segments of society – companies, municipalities and NGOs, who cooperate with the aim of creating better conditions for local economic development and business operations in Serbia. The uniqueness of NALED is not reflected only in the diverse structure of its members, but also in the fact that, besides being a membership association, NALED is also a civil society organization (NGO).

Prizes and Awards

Hemofarm's Awards in 2012

The award "The Exporter of the Year" by Serbia Investment and Export Promotion Agency (SIEPA)

In December, Hemofarm received the prestigious award 'Exporter of the Year 2012' which has been awarded by SIEPA - Serbia Investment and Export Promotion Agency.

The awards commission indicated in its statement that Hemofarm has been the largest exporter of pharmaceutical products and the largest net exporter in Serbia in the first nine months of 2012, with export of EUR 120 million. This is the third SIEPA award delivered to Hemofarm. Hemofarm received its first award for the exporter of the year in 2006 - the year when it became a member of the STADA Group. The second SIEPA award was received by Hemofarm in 2009 for entering new export markets.

National Award of the Serbian Chamber of Commerce for Corporate Social Responsibility

According to the awards commission, in the category of large companies, Hemo-

farm won the first award for corporate social responsibility as the leader in the domestic pharmaceutical market and largest exporter of medicines in 2012. Aimed at promotion and establishment of principles and practice of corporate social responsibility (CSR), traditional two-year awards were presented to companies which through their operations in the territory of the Republic of Serbia implement the principles of corporate responsibility in the best possible way. Since 2007, this prestigious award has been presented to small, medium-sized and large companies dedicated to the idea of corporate social responsibility by the national association of the Serbian economy.

Superbrands – award for the best corporate brand in pharmaceutical category

After detailed analysis of Superbrands Council, which is made of leading experts in sectors of marketing, economy and the media, Hemofarm won first prize in April for the best corporate brand in category of pharmaceutical industry.

Criteria for getting the SUPERBRANDS SERBIA status are based on three main qualities of the brand: recognisability and reputation, perennial consistency and reliability and corporate social responsibility.

Vojvodina Chamber of Commerce's award for contribution to development of corporate sector of Vojvodina and Serbia

Hemofarm is this year's winner of Vojvodina Chamber of Commerce's award for contribution to overall development of corporate sector of Vojvodina, and with it, of the entire Serbia.

Award from the Vojvodinian Chamber of Commerce was presented for the 50th time. It represents a traditional award that's presented since 1964 for significant corporate achievements to companies and individuals who have achieved significant business results in extremely difficult conditions, by investing huge efforts, knowledge and ability.

Award for Safety and Protection in the Work Place

Hemofarm won the second Award for safety and protection in the workplace. Administration for Work Safety and Health of the Ministry of Work, Employment and Social Policy of Serbian Government presents this award to companies with over 100 employees, legal entities, entrepreneurs and individuals regarding April 28th – World Day for Safety and Health at Work.



Company Management

Hemofarm's strategic orientation is the application of best global practice in all business areas. Modeled on the Organization for Economic Co-operation and Development, as well as in line with the experiences and best practice in this field, Hemofarm adopted its own principles of corporate management which need to be implemented at all levels in the company. The goal of these principles is the introduction of good business practices and independence, everything aimed at providing long-term business development. These principles are:

1. Principle of anti-corruption and maintenance of financial integrity

No employee of Hemofarm shall directly or indirectly request, accept, offer or approve any personal benefits related to his/her business activities, except for those regarded appropriate business gifts.

2. Principle of cooperation with the representatives of professional circles and their institutions

Employees of Hemofarm are obliged to maintain continuous cooperation with doctors and pharmacists and other representatives of professional circles and their institutions and establishments, in a manner that does not compromise the neutrality and independence of any of the participants.

3. Principle of cooperation with the competent state authorities and institutions

All employees of Hemofarm are obliged to fully cooperate, during their work, with the competent state authorities and institutions, in performing activities which fall within the scope of their competence in accordance with the specific instructions that they can receive from their superiors.

4. Principle of compliance with protection of competition

Employees are obliged to act in accordance with the principle of free and fair market competition and in accordance with the provisions of the anti-trust law. It is explicitly forbidden to enter into agreements and to maintain the practice of making agreements with the competition, which limit or obstruct other competitors in an illegal way, as well as to exchange information which may result in violation of free competition.

5. Principle of money laundering prohibition

Employees of Hemofarm must not undertake any actions that violate the existing money laundering laws or regulations in the territory of Serbia or outside it.

6. Principle of mutual respect and tolerance and prohibition of harassment and discrimination

Every employee must respect the personality of every other employee and should strictly avoid any form of humiliation, insult and discrimination. No employee should be put at a disadvantage or favored, harassed or isolated position based on his/her nationality, ethnicity, skin color, age or appearance, sex, handicap, sexual orientation, religion or opinion. No employee can be harassed at work on any grounds, either by his/her superiors or by co-workers, and accordingly, he/she may not harass other employees.

7. Principle of interest separation

Employees are obliged to separate their own private interests and personal relations from the interests of the company and relations with colleagues or business partners. This particularly refers to business relations with third parties or decisions connected with human resources.

8. Principle of prohibition of insider activity

All employees are obliged to guard the confidentiality of classified information obtained as part of their activities, not to disclose it to unauthorized third parties, including other employees.

9. Principle of ban on political activity

All employees are strictly forbidden from promulgating at Hemofarm, during working hours or outside of working hours, any kind of political propaganda or campaigning, to distribute promotional material of political parties or participate in their meetings and in their activities on the premises of Hemofarm, during working hours or outside working hours.

10. Principle of maintaining product quality

Every employee is obliged to comply with the regulatory obligations of the competent authorities and to promptly report to the competent company services all possible complaints about products, as well as detected product contraindications and side effects.

11. Principle of environmental, health and employees' safety protection

Every employee of Hemofarm is obliged to respect all applicable regulations on safety and health at work and environmental protection. If despite all precautions, violation of safety or health of people or environment occurs, every employee is obliged to promptly notify his/her superior or the competent service in the company thereof, so that adequate actions can be undertaken and competent authorities informed in due time.

12. Principle of Hemofarm's property protection

Every employee is obliged to treat the property of Hemofarm and property of third parties available to Hemofarm with the care of a good host, to protect it from access by third parties and to use it only for business purposes. Employees can use the property of Hemofarm for private purposes only where their superior has explicitly approved such use or in case an internal document approves such use.

13. Principle of preserving business information and documentation

Employees of Hemofarm are obliged to process business information and keep records and documentation in such a way as to provide for the organized storage, preservation and saving of data, as well as undisturbed finding of the stored or archived information

or documentation at all times.

14. Principle of rational use of electronic communication

Employees must not use electronic communication devices, made available to them by Hemofarm, for purposes that represent a violation of applicable laws or internal regulations of the company, as well as for purposes which are immoral by their nature or related to accomplishing self-interest.

15. Principle of coordinated external communication

All questions by the press and other third parties related to the business operations of Hemofarm should be forwarded to the Centre for Communications without delay. As a rule, replies to questions related to the company's operations can be provided exclusively by members of the Board of Directors, persons explicitly authorized by them for that purpose and the Centre for Communications.

The above mentioned principles which are available to all the employees in Hemofarm provide guidelines and rules of conduct in order to ensure maximum respect of the rights of all employees, improve their protection at work, but also to create conditions for undisturbed production. Communication with employees is proactive in order to eliminate all possible concerns in the implementation of global rules of conduct.

Management Structure

According to its legal form Hemofarm is a closed joint stock company. The Company is managed by the Shareholders Assembly and Board of Directors.

The highest managing body in Hemofarm is the Shareholders Assembly. Through the election of the Board of Directors it influences the course and operations of the company and it also takes care that the elected Board works in the best interest of the company and its employees. The elected members of the Board of Directors must have proper knowledge, skills and professional and life experience necessary for successful performance of their duties. Members of the Board are obliged to perform their duties conscientiously and with due care and diligence, in the reasonable belief that they act in the best interest of the company.

The Board of Directors defines the annual business plans and is in charge of their realization and also promotes and protects the company as shareholder wealth. In performing their obligations and duties, the members of the Board rely on their many years of managerial experience, which is the main criterion for their appointment.

At the same time, the Board of Directors is also responsible for good public relations and activities that advocate the company's interests. On December 31, 2012, the Board of Directors of Hemofarm had four members.

Remuneration of the Board of Directors have been set to represent a fair compensation for their time and effort as well as to be a motivational factor that links compensation to the results of the company's operations.

According to its legal form Hemofarm is a closed joint stock company. The Company is managed by the Shareholders Assembly and Board of Directors.

Vision of Sustainable Development

Hemofarm's vision of sustainable development is based on achieving balance and reliability and is focused on responsibility toward future generations. Hemofarm is a modern company, and the nature of its core business activities is such that it requires special and constant attention in order to provide healthy, safe and a secure environment. For this reason Hemofarm develops clear and solid procedures and standards, promotes the use of new technologies and maintains good relations with stakeholders from all spheres.

Our priorities are:

- Investing in our employees through job creation, training and continuous professional development, and using a performance based reward system
- Occupational health and safety of our employees
- Rational utilization of resources, protection

of the environment, the health and well-being of the local population

- Preventive measures and timely reactions in case of incidents and accidents
- Investing in local communities and assisting in the improvement of the social services quality

Innovation and modernization coupled with responsibility represent the condition for accomplishment of our goal: long-term competitiveness and increased efficiency and value of the company.

In order to protect the environment and in line with the best corporate practice, we are guided in our business operations by Principle 15 of the Rio Declaration on Environment and Development, which requires the company to be guided not only by profit motives, but motives of overall welfare of the community in which it operates.

Innovation and Modernization coupled with responsibility represent the condition for accomplishment of our goal: long-term competitiveness and increased efficiency and value of the company.



We care by giving
our very best

Hemofarm Sustainability Report 2012

Economic Development

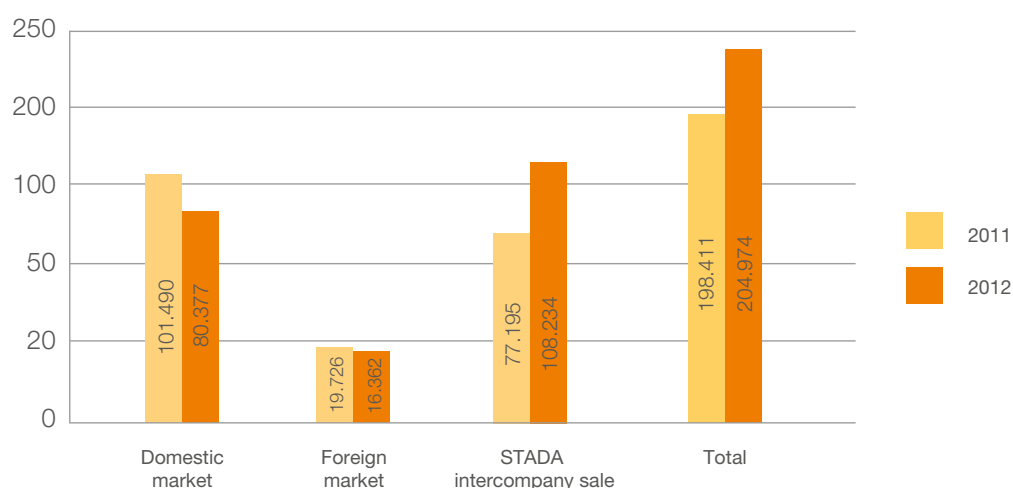


Key Financial Indicators

Tendencies caused by global economic crisis that marked 2012 in our country include the decrease in growth of GDP (gross domestic product), continuous decrease in physical scope of industrial production, continuation of decrease in real turnover of goods in retail trade, slowing down increase in export and real depreciation of dinar exchange rate.

In addition to difficulties caused by economic crisis, operations of Hemofarm A.D. was loaded by more difficult sale and charging medicines due to insolvency of the biggest creditors, unstoppable tendency of foreign competition as well as executed significant corrections of irrecoverable claims. In such conditions Hemofarm boosted its economic income in 2012 by 3.3 billion RSD and key indicator of our company's operations are shown in previews that follow:

Income Structure



* Hemofarm a.d. sales income stated in 000 EUR

There is a noticeable change in the structure of sales income. After 2006 intercompany sales income within STADA Group makes the ever increasing share in the sales income.



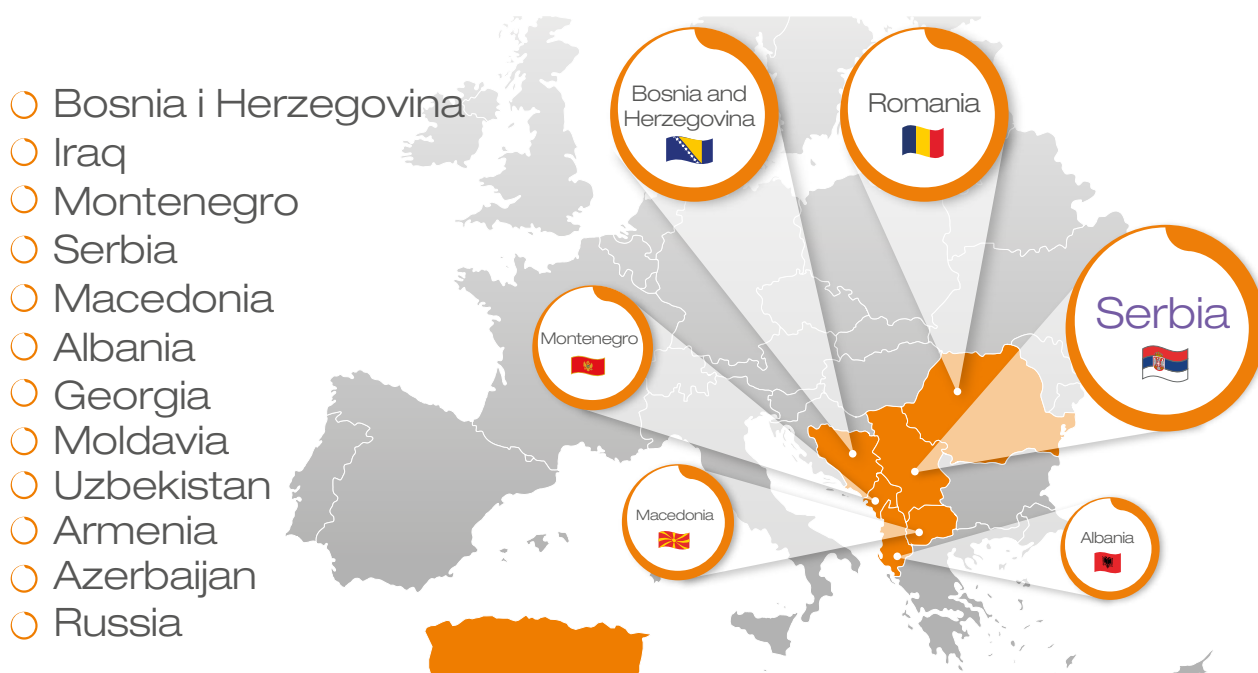
Hemofarm

Research and Development

Our Research and Development Division in Vršac has been recognized as a competitive center for development of new generic products, not only for the market of Southeast Europe but for the whole STADA Group. Basic activities of the Research and Development Division refer to the development and

registration of cost-effective products with great marketing potential as well as taking care of the safe use of registered products.

Following worldwide trends regarding pharmacovigilance and safe drug use, Hemo-farm has established a system of monitoring



Dossiers for 144 new products were prepared and submitted
for registration in 12 markets.

adverse drug reactions, which is being improved continuously, for medical products for which Hemofarm is Marketing Authorisation Holder both on home and foreign markets.

Healthcare professionals and patients can report adverse drug reactions directly to Hemofarm by phone, letter or e-mail, or via medical and commercial associates of Marketing and Sales.

By upgrading safe drug use, Hemofarm as pharmaceutical company, confirms its leadership role in the region.

The focus of developmental and registration activities is thus on cardiology, CNS, anti-infective, as well as oncology products.

One of the goals is also to work on the development of innovative generic medicines i.e. value-added medicines. Thanks to dedicated experts with vast experience, a new pharmaceutical form has been developed – 'one-fits-all' as a unique solution in the market - a product which is possible to apply in two ways, as a conventional or orodispersible tablet.

The first product of this kind – Zolmitriptan was launched on the EU market in 2012.

In 2012, 30 new different products in 49 shapes and dosages were registered. We received registration decisions for 64 new products on 11 markets. Among other, registration of the first oncology products in Hemofarm's portfolio has been completed

In 2012, 30 different new products have been registered in 49 different shapes and doses. We received registration authorization for 64 products for 11 markets. Also, the registration of Hemofarm's first oncological product has been completed and added to our product line.

Realization of complex, multidisciplinary tasks in the Research and Development Division is possible thanks to state-of-the-art laboratories, but also highly professional staff.

Source of information: Hemofarm Company web site
www.hemofarm.com

Production

Accountability for our products stands at the core of our corporate responsibility.

Creating and producing high-quality, safe, recognizable, and effective medicines is the basis of Hemofarm's corporate strategy, and it also reflects our established, maintained, and constantly improved quality management system.

Our quality assurance procedures are designed to produce safe medicines of the requisite and consistent quality -- the final result of all company processes, from the purchase of raw materials, through production and quality control, to storage and distribution to market.

To be certain that products bearing the Hemofarm name are safe and reliable, we invest time and money every day to ensure the highest pharmaceutical standards. Hemofarm successfully maintains its

According to data from the Medicines and Medical Devices Agency of Serbia (ALIMS) for 2012, Hemofarm is leader on the domestic pharmaceutical market (counting over 300 producers and distributors), with a share of 34% in packs i.e. around 20% financially.

market leadership by implementing the latest global achievements in the pharmaceutical industry, modernizing its plants, and upholding the highest standards of hygiene and occupational safety.

The company sells products in 11 (out of 14) pharmacotherapeutic groups, counting over 140 products per international non-proprietary name (INN), in about 280 forms and dosages.





Production is focused to the most-significant pharmacotherapeutic groups, including products for cardiovascular disease, antibiotics, and neuro-psychiatric medicines; however recently, focus has more and more been on developing oncology medicines.

Leading prescription medicines in the Serbian market (by INN) are: bromazepam, enalapril, erythromycin, metoprolol, physiological solution and ceftriaxone.

The over-the-counter product group includes many Serbian pharmaceutical market leaders, according to Institute for Testing Materials data from 2012. Products with a greater-than-10% market share include: Hepathrombin, Povidon Iodine, Nafazol and Febricet, Kamistad baby, Grippostad C, Eunova, Magnetrans, Thiomucase gel, and others.

ATC classification	Share of Hemofarm in segment
C - cardiovascular system	32,4%
N - nervous system	18,9%
A - alimentary tract and metabolism	11,2%
J - antiinfectives for system admin.	34,2%
B - blood and blood forming organs	20,5%
R - respiratory system	6,1%
M - musculoskeletal system	20,1%
G - genitourinary system	5,8%

Confidence in Hemofarm's advanced technological equipment and our employees' expertise is underscored by the fact that the STADA Group has transferred from third parties the production of a significant number of products intended for the demanding EU market to Serbia. To maintain this position, we continue to invest significant funds in new product research and development, as specified in this Report's introduction.

Boasting theoretical production capacity of 65 million bottles a year, Hemofarm is one of the five-largest European producers of infusion solutions.

Employee

Engagement is a Prerequisite for Improvement

Hemofarm employees are encouraged to participate actively in the innovation process, in order to create additional opportunities to improve production. The company financially rewards employees whose ideas lead to advancement of production processes.

Hemofarm rewards these proposals -- made possible by an open, two-way communication system -- because they improve productivity, raise occupational safety levels, and increase environmental protection.

Together with our engineering teams, we evaluate employee suggestions for higher efficiency.

Based on one such initiative alone, we have successfully accelerated a tablet collector's discharge rate from 180 to 20 minutes. This kind of initiatives, company rewards with special financial incentives.



Packaging

All Hemofarm products are delivered in packages labelled according to the rules prescribed by healthcare authorities in the country in which the medicines are sold, and must include instruction leaflets on proper use and contra-indications.

Proper packaging secures the product until use, providing safe delivery to the end user. It also prevents a negative impact on the health and safety of consumers. (For instance, adequate packaging can prevent access by children, which could endanger their health.) For these reasons, Hemofarm constantly invests in the quality and the improvement of product packaging.

Proper labelling and packaging of pharmaceutical products is more than an issue of marketing or logistics for Hemofarm: it is an issue of complying with strictly prescribed rules whose implementation is controlled by appropriate regulatory authorities. The grounding foundation of these rules is that the end user should get complete information on the product's contents, use, and contra-indications.

Packaging must be labelled in a way to make it difficult to counterfeit the product, and to confirm that it has been legally sold. Hemofarm strictly abides by the rules prescribing the mode of pharmaceutical products packaging; in 2012, it was not penalized on this basis.

New packaging innovations introduced in 2012 included a protective foil, assuring buyers that the product had not been opened before and that the medicine possesses the prescribed characteristics. "Child proof" packaging has also been introduced, aimed at improving child safety by preventing children from improperly accessing medicines.

Storage

Adequate storage conditions are necessary to maintain a high level of product quality. As in its production plants, Hemofarm's warehouses in Serbia and abroad have been designed and constructed to the strictest global standards, in observance of GDP* requirements.

*GDP: Good Distribution Practice
– is a key component for quality assurance;
it is a requirement that the company
establish its quality system so that products
are consistently processed and stored in
accordance with the strictest requirements
of regulators, thereby ensuring quality during
storage, transportation, and distribution.

Automated high-bay warehouse in Vršac with 15,840 pallet places is one of the most modern facilities of this purpose in the Balkans.

Embedded technology provides for the full optimization of warehouse activities and the automated flow of material to production plants. All activities, from the receipt and sampling of raw materials, through dispatch of end product, to warehousing, are done under the appropriate environmental conditions and in accordance with defined transportation systems in the warehouse and en route to production plants.

Hemofarm pays special attention to the storage of hazardous substances. The use of narcotics in production is specific to the modern pharmaceuticals industry. In order to eliminate the possible abuse or





illegitimate use of these substances, special storage areas are provided with specially equipped controlled access systems, as well as video surveillance equipment. Access to these areas, and handling these inventories, is possible with a code known only to a small number of authorized personnel. No unauthorized disposal of narcotics cases were recorded in 2012.

Flammable substances are stored in purpose-built facilities with specially designed fire-retardant walls, thus providing additional time to extinguish fires and contain accidents. Likewise, the floors in facilities are slightly sloped, permitting chemicals to collect in special tanks should they spill. Such spilled liquids drain from the tanks to purpose-built external tanks, thereby alleviating or completely eliminating any detrimental effect caused by spillage or fire to the environment.

The facilities' overall electrical network and installations are surge protected to additionally reduce fire risk. The Hemofarm fire department is on duty 24 hours a day, and is equipped for all emergencies that may occur. There were no incidents related to the storage of flammable materials or spillage of hazardous substances in 2012.

Quality Control

The production and sale of effective, safe, and available medicine is Hemofarm's primary mission. Bearing in mind that quality is imperative, all quality-system and operating procedures are in conformity with the strict requirements provided by the Good Manufacturing Practice (EU GMP) guidelines. At Hemofarm, EU GMP* principles are implemented throughout the entire product life cycle – from development, production and control, to warehousing, storage and distribution.

GMP*:
Good Manufacturing Practice – production
and testing to ensure appropriate product
quality.

Reception control of raw materials and of packaging materials (primary and printed packaging material) is carried out in complete accordance with the requirements indicated in the registration file and according to the requirements of national, European (EP), American (USP), British (BP), and other relevant pharmacopoeias and international standards.

Every medicine lot is manufactured and tested in line with the registration file requirements, strictly abiding international regulations. Testing is carried out in the Quality Control laboratories in Hemofarm and includes both physical-chemical and microbiological testing. Every medicine lot manufactured in Hemofarm and released to the market corresponds to the registration file requirements, and is manufactured in compliance with the indicated pharmaceutical regulation, ensuring quality, safety, and efficacy of medicines.

Employees in Hemofarm's Quality Assurance Division are engaged primarily in implementing and maintaining



ICH (International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use) - International organization for harmonization of technical conditions for registration of medicines for human use. ISO (International Organization for Standardization).

the company's complete compliance with all current pharmaceutical industry regulations and requirements. These requirements are, first of all, the guidelines of Good Manufacturing Practice, stipulated by the national, European, and American legislation, and expanded by the requirements of relevant ICH and ISO regulations.

In 2012, in-house Quality Control detected irregularities during routine testing of one production line for the aseptic filling of lyophilized injections. According to the rules of procedure in such situations, all relevant state agencies, and the agencies of the countries to whose markets the medicine is exported, are informed.

Hemofarm implemented its action plan, thoroughly investigating the manufacturing process in question and embargoing all batches of the manufactured product until final results were established. After a detailed investigation lasting several months, the suspected cause of the quality deviation was established and eliminated. Following the successful implementation of corrective actions and testing, production was re-launched. State authorities and all stakeholders were informed about the problem elimination.

This case confirmed the efficacy of Hemofarm's Quality Control, as well as the company's commitment to quality and product safety above all else, in accordance with its fundamental values and with a view to enjoying the continued confidence of its consumers.

Efforts of Hemofarm to meet the needs and expectations of users are articulated in the Quality Policy which is available to all interested parties at http://www.hemofarm.com/docs/Politika_kvaliteta.pdf

Top quality is achieved and maintained by incorporating quality control in all segments of business operations, in all phases of identified processes, and at every work post. It is also confirmed by complying with the requirements of Good Manufacturing Practice and ISO 9001:2008 and ISO 14001:2004 standards, through positive results of inspection supervision:

- German Inspectorate for Medicinal Products of Darmstadt Region – Production of Solid Dosage Forms and Injection Solutions
- German Inspectorate for Medicinal Products of Hannover Region – Production of Lyophilized Products
- German Inspectorate for Medicinal Products of Sachsen Anhalt Region – Production of Infusion Solutions
- Australian Therapeutic Goods Administration – TGA – Production of Injection Solutions
- Ministry of Health of the Republic of Serbia – Production in all plants in Vršac and Dubovac
- Romanian National Agency for Medicines – Production of lyophilized products and injection solutions

Protection against Counterfeiting

The counterfeiting of medicines threatens not only the company's reputation, but, far more seriously, users' health. The company protects itself from the counterfeiting of medicines in the final production phases, when products are packaged and marked with corresponding control stamps. The technological design of those stamps, such as a hologram, reduces the possibility of counterfeiting. The company has, so far, not recorded any cases of counterfeit medicines.



Inspections of Suppliers

As the state authorities in countries to which Hemofarm exports its products inspect our plants, thus protecting their citizens, Hemofarm acts proactively and performs regular inspections of its suppliers in order to confirm compliance with the requirements of European and global regulations and to prevent problems. These inspections are carried out regularly, in accordance with the annual plan established at the STADA Group, and extraordinarily, whenever required for maximum protection of product quality.

Company has defined procedures for approving new and monitoring existing suppliers. In addition, every lot of raw materials and of packaging materials is subject to reception control, as well as control of documentation delivered by the manufacturer.

Transparency of the relationship with suppliers is ensured through a centralized procurement process. Tenders must be organized for each procurement.

All decisions on job allocation in the announced tenders are made by multi-member committees, thereby additionally reducing the possibility of abuse.

The Purchasing Division administers all tenders and procurements. Employees in this division receive regular training to ensure that decisions are made in accordance with the law and Hemofarm's internal rules at all times. There were no complaints in this regard in 2012.

For further information on the General Operating Conditions for the Procurement of Goods, please visit:

www.hemofarm.com/docs/Opsti_uslovi_i_odredbe_poslovanja.pdf



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our very best

Hemofarm Sustainability Report 2012





Marketing and Sales

Marketing and Sales

As a leading generic company in Serbia, it is incumbent upon us to raise standards and spearhead positive changes within the pharmaceuticals industry. We are aware of the inherent risk of the field in which we operate, and of the fact that improper and uncontrolled use of pharmaceutical products can be life-threatening for consumers. That is why we approach production and marketing with special care.

The Marketing and Sales Division is a separate organizational unit within Hemofarm, the operations of which are regulated by internal rules established by the STADA Group, and also by the legal and ethical rules regulating the sales of pharmaceutical products. We are determined that responsible marketing has to be based upon the principles of sustainability. Hemofarm does not tolerate non-compliance with the law when its products are advertised.

Product Advertising

Hemofarm's products are available on the market both by doctor's prescription and over-the-counter (without a prescription).

When we advertise our products, we respect the principles and requirements of both the international codes of conduct and the rules of STADA Group. These codes provide guidelines in areas such as marketing materials, distribution of samples, and cooperation with healthcare providers and

their associations. The basic requirement of these codes is transparency in all types of cooperation.

The company's marketing behaviour is also regulated by the 'Rulebook on Advertising,' a separate document. This Rulebook regulates advertising in the public sphere, ensuring that Hemofarm's activities are in accordance with the law and standards of ethical conduct.

In Serbia, the laws for medicine packaging, labelling and advertising are legislated through ALIMIS – an agency for medicine and all related tools that gives or denies approval for every packaging and its design individually.

Advertising medicines is also controlled by strict local regulations which prescribe types of medicines, who is allowed to advertise, and in what way. The Legal Affairs Division proactively engages the company's numerous business partners and supervises adherence to the rules in the sales and advertising of pharmaceutical products. This is particularly important since violating the

rules could result in serious consequences not only for the company, but for customers' health.

During 2012, Hemofarm operated in accordance with all relevant regulations and was not fined for non-observance of the rules related to advertising of products

Data Storage

Hemofarm conducts several anonymous surveys and studies in order to plan and perform marketing activities, in accordance with the rules prescribed by the Personal Data Protection Law.

Legal Affairs and IT Services jointly assure that this data is protected from unauthorized access or use. The collected data is stored

appropriately so that it cannot be used for legally prohibited purpose.

The process and rules of storage and use of data collected for scientific or marketing purposes are additionally regulated by internal rules. All participants in a survey or a study provide prior consent and approval.

Sales

Hemofarm supplies the market with its products through a network of wholesalers, and state-owned and private pharmacies. Based on 2011 pharmaceutical market research, the company decided to introduce in 2012 a new distribution model in our market – direct distribution of products to state-owned pharmacies. Hemofarm is the first company with this kind of sales in the country, and introduction of the system has improved market supply.

A call centre for receiving orders has also been set up, which enables quick reaction to the needs of individual pharmacies. Research shows that the new sales system enables faster mobility of products to end consumers and enhanced market supply.

In order to present all the advantages of its products versus the competition, Hemofarm organizes lectures for pharmacists and doctors. The organi-



zation of these lectures is regulated by strict internal company and STADA Group rules, as well as by numerous legal provisions. These rules ensure that a patient's welfare is the only factor which influences the decision on a prescribed medicine and therapy.

In 2008, the Commission for Protection of Competition initiated proceedings against Hemofarm, charging the company with monopolistic behaviour or with being part of a group of pharmaceutical manufacturers which jointly established quantities of medicines to be sold to wholesalers. In 2012, a motion to suspend the proceedings was passed, and in 2013, based on the decision of the Supreme Court of Cassation, Hemofarm was acquitted on all charges.

Complaints

Hemofarm has a special system for collecting and reacting to customer complaints. Complaints are usually received directly – by telephone, post, or email – and secondly through the Marketing and Sales Division, pharmacies, and doctors. The email zanasekupce@hemofarm.is is available for reporting complaints and is presented on our website.

All information gathered in this way, and in opinion polls on consumer satisfaction, are extremely important for production improvement, research and quality control.

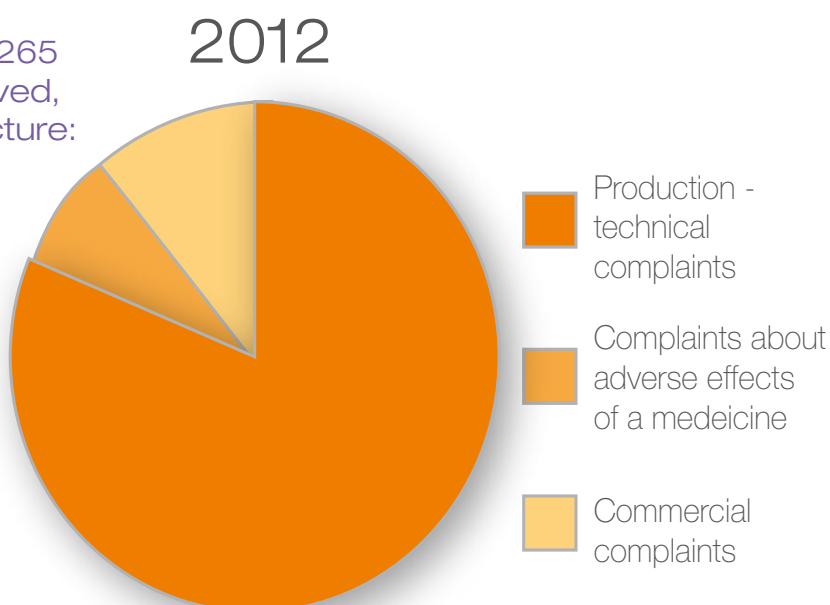
Management of product complaints is one aspect of the business which is of crucial importance for continuous improvement of the

production process and quality control in the company. Hemofarm has established a detailed procedure to ensure managing product complaints.

Hemofarm takes every complaint very seriously. Each complaint is recorded in special registries for complaints, after which an investigation is carried out. The findings of this investigation, which thoroughly covers the manufacturing process, research and logistics if needed, are the basis for response and, if necessary, initiation of activities to eliminate the cause.

Complaints are divided into three categories, according to the complaint's basis.

During 2012, a total of 265 complaints were received, with the following structure:



The number of complaints was in accordance with the size of production capacity of plants. Regarding this, most complaints came from Vršac factory complex.

For every received complaint, the Quality Control Division gives an official response to the complaint. Each complaint is registered under a special number and contains information such as the product name and series, the complaining party, description of the complaint, and investigation report. All responses to complaints are carefully anal-

ysed and, on the basis of investigation results of manufacturing, packaging, research or handling of products, actions for the improvement process are proposed.

Hemofarm does not wait for complaints to emerge in order to react: it acts proactively to prevent all possible complaints. Our consumers and distributors are too precious to be treated irresponsibly.

Customer Satisfaction

The company reacts to market needs and ensures regular product supply by analysing market research and consumer needs.

Surveys of the professional public – specialists and GPs – are also conducted regularly to gain full insight into the needs and reactions of patients to products. This is an important source of information to eliminate potential defects and improve product efficacy.

In June and July 2012, the professional pu-

blic was surveyed on the communications and images of pharmaceutical companies.

The survey was conducted through interviews with 310 doctors and pharmacists from a list of institutions delivered by Hemofarm.

According to the survey, Hemofarm is the company with which the professional public is most familiar – spontaneous familiarity is as high as 90%.

Regular, constant and uninterrupted market supply is one of the priorities of the Sales department in order to maintain our customer satisfaction.

Hemofarm also has the best reputation among pharmaceutical companies included in the survey: 92% of participants feel friendly towards Hemofarm, while 79% of experts would share their affirmative attitude.

The criteria that surveyed professionals appreciate most when evaluating companies were the availability of products which are useful for patients and the quality of information that is provided by a pharmaceutical company.

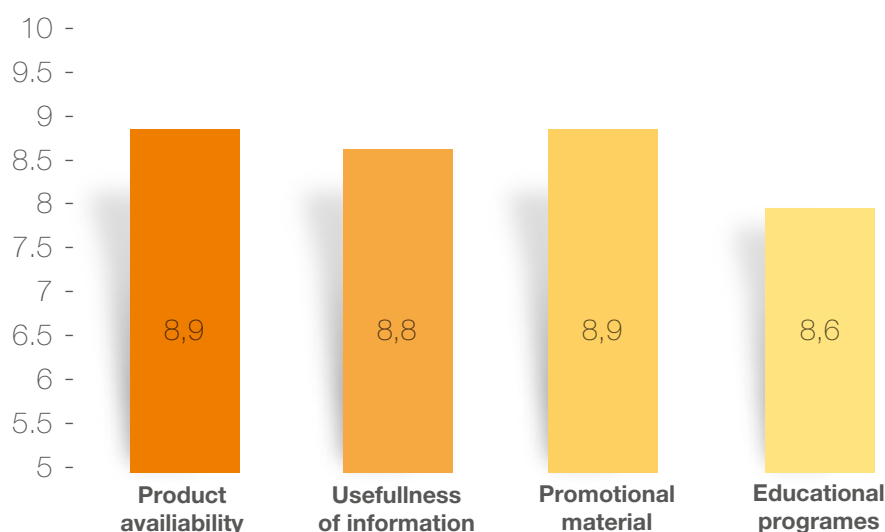
On a ten-point scale, Hemofarm scored 8.9 as the company which has products useful

for patients at any moment, and 8.8 as the company which provides quality information.

As far as promotional activities are concerned, Hemofarm was evaluated with 8.9 as the company which provides useful and interesting promotional material, and with 8.6 as the company which provides useful and objective educational programmes.

In all observed categories, Hemofarm took first place among pharmaceutical companies included in the survey.

As far as image is concerned, the professional public described Hemofarm as an honest and caring company, dedicated to users. The general conclusion is that Hemofarm is a trustworthy company.



Regular, constant and uninterrupted market supply is one of the priorities of the Sales department in order to maintain our customer satisfaction.

Professional Public

Relations between Hemofarm and physicians and pharmacists are regulated by the Rules on Advertising Medicines and Medical Devices (Official Gazette of RS, No. 79/2010) and through the internal document 'Guidelines for Work with Physicians and Pharmacists'. This document stipulates in detail the procedures on how to develop

and maintain business relations with these stakeholders and is derived from the ethical codex of Hemofarm.

Guidelines prescribe the rules of conduct and methods on how to present the Hemofarm's competitive advantages to physicians and pharmacists.

Donations

As a socially responsible company, Hemofarm is open to requests for donation. The most-important part of donations refers to the donation of medicinal products, but Hemofarm also donates medical equipment, consumables, and other equipment necessary for the functioning of healthcare centres and pharmacies.

Donations are regulated by internal rules, as well as by legal arrangements, in order to make decision making processes transparent and objective.

This donation enabled better quality services for the prevention and treatment of the most-serious illnesses of the citizens of Šabac and the entire Mačva District.

Thanks to these funds, the coronary care unit, dispensaries, and patient rooms were renovated. Due to the increased number of available dispensaries, the number of performed examinations is significantly higher, which contributes to earlier and preventive detection of health problems.

Considering that the internal medicine ward is the most-frequented ward of the hospital, the need for better work conditions was particularly noticeable. Thanks to this donation, healthcare in Serbia is a step closer to global standards. The donation is also a clear sign of Hemofarm's support to public health institutions, improving citizens' health.

A particularly important donation during 2012 was a donation used for the reconstruction of the internal medicine ward at the Dr. Laza K. Lazarevic General Hospital in Šabac, worth RSD 13.8 million.

A hand is shown from the side, holding a small green plant with four leaves. A single water droplet is visible on one of the leaves. The plant is growing out of a small mound of dark brown soil. The background consists of a vast, green field with small white flowers, stretching towards a horizon under a clear blue sky with some light clouds.

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our very best

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A hand is shown from the side, reaching out towards the left. The hand is light-skinned and appears to be holding or supporting something. The background is a bright, sunny day with a clear blue sky and scattered white clouds. Below the hand is a vast, green field of grass or low-lying plants. In the distance, there are rolling green hills. The overall mood is positive and hopeful.

Hemofarm Fondation

Hemofarm Fondation

The Hemofarm Foundation was founded by the Hemofarm Company a.d. Vršac in 1993. Through its establishment, Hemofarm's desire to contribute to a better quality of life for all and to provide better community conditions has been accomplished.

The Foundation is a separate legal entity, a non-profit organization that supports those with the greatest intellectual potential, organization of humanitarian activities, development of local and the wider community, promotion and preservation of culture and the cultural heritage of Serbia, as well as the im-

provement and development of healthcare, education, and environmental protection.

The Hemofarm Foundation has been supporting educational institutions in various ways for many years, and providing education is a priority of its founder Hemofarm and STADA Group itself, within which it has been operating since 2006. In 2012, the Hemofarm Foundation invested more than RSD 68 million to implement numerous projects throughout Serbia.

Contribution to the Environment

Local community development and progress are achieved through partnership with the community and direct investment in certain projects of wider social interest. The Foundation's support is reflected through investing in local infrastructure, donations to humanitarian associations and activities, preservation of religious and cultural traditions, as well as through care for safety of citizens and environmental protection.

During 2012, special attention was paid towards enhancing women's employment, by initiating pilot programmes for their economic empowerment in Vršac, aimed at encouraging female entrepreneurship and reducing of unemployment. 15 unemployed women between 20 and 45 years of age, who are registered with the National Employment Service, applied for the announced tender. 13 of them went through theoretical and practical training which enabled them to start their own business.

For the 4 women with the best ideas, The Hemofarm Foundation provided premises for their own business, with paid rental costs for the first year of operations. The Foundation also provided RSD 160,000 support from state development funds to each winner. Thus, the following four new businesses were launched: Snowflake washing and ironing service, Semiramida weaving studio, Marketing Support (PR agency for

management and consulting services), and Beauty Boom beauty salon.

In addition to financial support to the winners, the programme enabled all participants to gain the necessary skills to start their own business. At the same time, filling vacant commercial premises enlivened the community and attracted other small businesses to the same location.

Support to the Culture

The Hemofarm Foundation continued to support various cultural events through the investment of over RSD 13 million in 34 activities throughout 2012, and thus raised the quality and wealth of cultural life across Serbia.

The Hemofarm Foundation traditionally awards the annual Vasko Popa Prize for the best collection of poems in Serbian. Besides events, the Foundation also supports cultural institutions such as the City Library and City Museum in Vršac, and the Nikola Tesla Museum, in which the documents and important patents of one of the greatest

scientists – recognized and acclaimed throughout the world – are displayed and kept.

One of the most important cooperations of Hemofarm Foundation is the partnership with the Belgrade Philharmonic Foundation, which will support further development of the most-successful cultural institution in Serbia. Improvement and development of culture are part of the strategic orientation of the Hemofarm Foundation, and long-term cooperation with Belgrade Philharmonic Orchestra is one of the most important steps towards accomplishing this goal.

Among the events and projects supported by the Foundation, the following stand out: Zmaj Children's Games in Novi Sad, Vršac Autumn Theatre Festival, as well as the Belgrade Philharmonic Orchestra, the Kolarac Endowment, the Serbian National Theatre in Novi Sad, and the Belgrade Theatre Dadov.

Healthcare

Since its establishment, the Hemofarm Foundation has been constantly supporting healthcare institutions and various associations of citizens, such as associations for prevention of cancer, diabetes, multiple sclerosis, muscular dystrophy association, association of cardiologists of Serbia and many others.

Throughout 2012, the Foundation helped the Dedinje Clinical Hospital Centre procure sophisticated heart surgery equipment – instruments for minimally invasive mitral valve surgery – worth approximately RSD 3 million. This equipment reduced the invasive surgery and post-surgery recovery period. It also reduced the need for medicines and the post-surgery complications that can endanger patients' lives. The donation proved to be useful at several levels, as it not only raised the quality of healthcare service and reduced the patient post-surgery recovery period, but also contributed to financial relief of the Health Insurance Fund.





In addition to the donation to the Dedinje Clinic Hospital Centre, the Foundation also donated funds in excess of RSD 340 thousand to KBC Dragiša Mišović Dedinje, Belgrade for laparoscopic surgery of the colon.

After surgeons from Serbia were trained in the United States, pioneering surgeries of this kind were initiated in our country.

Successful surgery and its performance required instruments that were purchased with the donation of the Hemofarm Foundation.

A part of the Foundation's funds, supported by donations from Hemofarm's employees and by the citizens of Vršac, were used to improve work conditions in the Transfusion Ward at the Vršac Healthcare Centre.

This was the first Foundation project based in co-operation with the community, and provides a model the Foundation intends to develop.

Environmental Protection

In the field of environmental protection, the Foundation acts proactively with programmes aimed at raising general awareness.

The target group for these activities is children and the youth. In 2012, the Foundation supported a knowledge quiz related to this area – “Green, I Love You, Green.”

Special support is provided to the Environmental Ambassadors organization, which increases citizens' environmental literacy and promotes responsible environmental behaviour.

Within the programme 'Trip to Health', the youngest citizens of Vršac learn about natural beauties in this region, and also about ways of protecting them.

Young Talents

During 2012, Hemofarm Foundation invested more than RSD 37 million for scholarship programmes for 240 secondary school pupils and students.

These programmes are intended for students of universities and faculties founded by the Republic of Serbia, pupils of secondary schools in Vršac, university students and children of Hemofarm A.D. employees.

Hemofarm Foundation, together with Olivo-va Foundation from Czech Republic, provided a prize trip for the best pupils of the third

and fourth grade of secondary schools from Vršac and Bela Crkva, an underdeveloped municipality in Serbia.

Through money prizes we support the best secondary school pupils of the first, second and third grade who won republic wide natural sciences competitions.

With these programs the Foundation contributes to the development of Hemofarm's potential employee base.

In 2012, the Foundation has invested more than 37 million RSD into scholarships for students.

Humanitarian Activities

The Hemofarm Foundation is actively working on the improvement of life conditions of the most vulnerable social groups in our country. Support programmes for children's homes and other institutions which take care of children without parental care in Sombor, Bela Crkva, Belgrade and Pančevo have been initiated.

Over RSD 3.5 million has been donated for 38 humanitarian activities. The Foundation has also supported the activities of associations working on the improvement of the social status of citizens with serious illnesses or disabilities.

Education

Education, and the development of science and education, are important items in the activities of the Hemofarm Foundation, aimed at keeping the best young people in the country in order to 'reduce' the 'brain drain' trend and ensure the best possible education for those who are the future of society.


In addition to scholarships for the most talented young people, the Hemofarm Foundation has been supporting the functioning of educational institutions for years, through raising funds for furnishing and renovation of educational institutions, and participation of the best students and pupils in international seminars, trainings in the country and abroad.

Aiming at providing support to education

and raising the quality of education, the Foundation leases its premises free of charge to the Josif Marinković Music School in Vršac. The premises are used as rehearsal space.

The value of this donation amounts to over a million dinars annually. During 2012, the Hemofarm Foundation also provided funds for the participation of female representatives of the school at the Bruna Spiler international competition for solo singers in Herceg Novi.

The Foundation also supports the work of the Debating Club of the Faculty of Law, University of Belgrade, and strives to facilitate through its donations participation of club members in debating and public speaking competitions both in the country and abroad.



We care by giving
our very best

Hemofarm Sustainability Report 2012

An aerial photograph of a park during autumn. In the center-left, a group of five people are standing in a circle on a grassy area, holding hands. The park features a large, winding paved path made of rectangular stones. The trees are mostly deciduous with vibrant yellow and orange foliage. The lighting suggests late afternoon or early morning, with long shadows cast across the path and grass.

Human Resources

Care for our Employees

One of the most important resources of Hemofarm, as a modern and dynamic company, are its employees. By realising their personal and professional potentials, employees contribute to the achievement of organizational objectives. Therefore, highly qualified and good-quality staff represent

one of the most-important priorities of our company.

Hemofarm wants to be recognized as a 'top employer' by being, aside other things, a successful company in the area of human resources management.

Administration, Right to Work and General Data

Hemofarm is a company which takes care of its employees. On December 31, 2012 the company had 1.682 employees. Out of the total number of employees on December 31, 2012, 96 employees were on a temporary employment contract, while two

employees were part-time.

The company has not had any cases of engagement of under-age workers. Minimum gross salary in Hemofarm is above the minimum salary in Serbia.

Minimum gross salary in the Republic of Serbia December 2012	Hemofarm a.d. minimum salary for December
243,57 EUR	249,17 EUR

When rights and obligations of Hemofarm's employees are in question, Hemofarm does not differentiate between employees engaged on temporary and permanent basis agreements. 55% of total number of

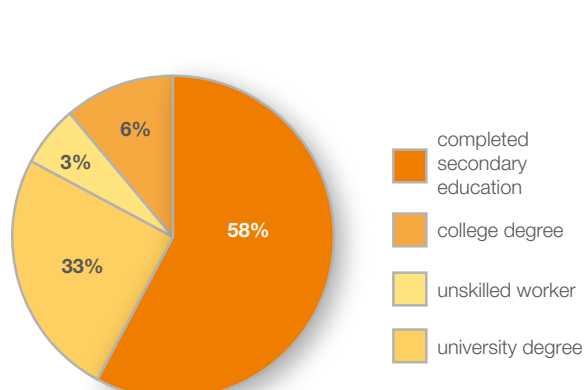
employees are women, and their share in management positions is 57%. Uniform salaries are set for individual job positions, regardless of the gender of the employee performing a job.

Agreement	Men	Women	Total
Permanent	711	875	1.586
Temporary	34	62	96
Total	745	937	1.682

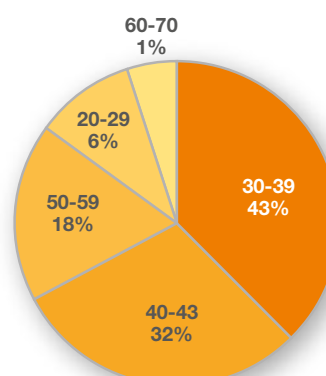
2011.				2012.			
Agreement	Men	Women	Total	Temporary	Men	Women	Total
Management	54	65	119	Temporary	55	72	127
Other	702	875	1.577	Permanent	690	865	1.555
Total	756	940	1.696	Total	745	937	1.682

Over the course of the year, 82 employees left the company which makes 4.75% of the total number of employees:

Age	<30		30-50		>50		Total	
	Newly-employed	Left the company	Newly-employed	Left the company	Newly-employed	Left the company	Newly-employed	Left the company
Men	12	2	11	14	-	15	21	31
Women	24	3	19	22	-	24	43	49
Total	36	5	30	36	-	39	66	82



Qualification structure of employees in Hemofarm



Age structure of employees in Hemofarm

Pregnancy or maternity leave does not represent an obstacle for employees to return to work. Over the course of 2011, there were 88 women who were on maternity leave. All mothers returned to work over the course of 2012, after a year of maternity leave. At Hemofarm, we believe that the right to work is a universal right and, therefore, when new people are hired, only one criterion is taken into consideration – professional competence. In our work environment, we apply zero tolerance policy for all forms of discrimination based on gender, ethnic, religious or any other differences.

Over the course of 2012, there were no in-

stigated proceedings against the company on the basis of gender, ethnic, religious or other forms of discrimination.

With regard to mobbing, it is important to emphasize that the company offers its employees full legal protection and support in such cases. Over the course of 2012, there were no recorded cases of mobbing. In the entire history of the company, there have been two cases raised based on violation of the Law on Prevention of Harassment at Work. Out of the two cases, one was declined by the court as groundless, and the other case is still pending.

When it comes to mobbing, it is important to emphasize that the company offers full protection and support in these cases.

Strategic Objectives in Human Resources Management

Hemofarm is constantly investing in its employees. With regard to the professional development of employees, our strategic objectives consist of promoting and implementing our organizational values and morals into the mentality of our employees which will aid in further strengthening of work culture as well.

Also, we aim at improving our system of employee recognition by various rewards and appraisals for those who, through their hard work, dedication, and outstanding results,

inspire and motivate their colleagues as well as improve the work environment. Creating conditions for a work-life balance is one of the company's objectives as well.

Strategic goals in this field include further strengthening and development of a two-way, open communication between management and employees. Such form of communication is highly encouraged in Hemofarm in all fields, when it comes to innovation and improvement of productivity as well.

Trade Union

Hemofarm cultivates self-organization as the right of its employees. Company employees are entitled to form trade unions. Two trade unions are active in Hemofarm. The interest of employees to participate actively in the protection of their rights and to work on their improvement is supported by the fact that the number of members of the major independent trade union increased from 1.221 in 2011 to

1.290 in 2012, constituting 77% of the total number of employees.

The role of the major independent trade union was particularly emphasized in the process of harmonization and signing of the new collective bargaining agreement in 2012, which has been effective for 3 years.

Employees of the company have a full right to Trade unions.

Apart from the protection of employees' rights, the collective bargaining agreement also defines their obligations during their employment with the company. Aligned with the Serbian Labour Law, the collective bargaining agreement applies to all employees.

According to the collective bargaining agree-

ment, vacation pay is guaranteed to all employees. Female colleagues get a present for March 8 and there is New Year's party with gifts organized for employees' children every year.

Likewise, according to the Collective Bargaining Agreement, employees get jubilee awards as a form of reward for their continuous employment with Hemofarm. They are not only an expression of gratitude to employees for their devoted work on the establishment of Hemofarm, but also an incentive to contribute even more to better business results of the company with their talents and work skills.

In case of retirement, gross average salary of the company or average salary of the employee in the last 3 months is the base for calculation and payment of retirement benefits, all in accordance with the Collective Bargaining Agreement.

Pursuant to the Labour Law, in case there is a need for change of a job position, the employee gets a notification and he/she can decide within 8 working days whether he/she will accept the offered job.

Amount of Jubilee Awards (in EUR)	
10 years	328,64
15 years	438,25
20 years	657,37
25 years	766,89
30 years	876,49
35 years	1095,61

Programmes Serving as Incentives to Employees

Hemofarm especially cherishes the culture of rewarding employees who contribute to the development of the company through their exceptional commitment. The system of rewarding the best workers in the company is only one of the ways to keep the most-talented and the most-valuable employees, as well as to reward the loyalty of employees. They also help in positioning the company as a preferred employer and attracting personnel of the highest quality.

In 2012, Hemofarm also started the talent development program. At the very beginning of the programme, 162 employees were considered in the selection and a total of 47 employees have benefited from this programme. The programme included interactive workshops through which 15 top talents were selected. The goal was to support further development of these employees through targeted education and various projects in 2013.

All employees in Hemofarm get formal feedback on their work.

Based on the Rulebook on Defining Framework for Establishing Salaries and Other Earnings, employees who demonstrate exceptional results during regular monthly evaluations are entitled to one-time increase of their salary in the amount of 10% of their basic monthly salary.

Employees in key positions are evaluated on the basis of a Career Plan Program, which involves setting and achieving goals.

The company encourages employees to take advantage of supplementary pension insurance. Pursuant to the general agreement on voluntary pension insurance of em-

ployees, the company will pay RSD 2.000 a month to employees who decide to pay a minimum RSD 1.000 out of their earnings and those which have been employed continuously for more than 3 years or get employed on a permanent basis for their first employment with the company. Our goal is to provide good living conditions to each employee during their work engagement, but also after retirement, as well as to encourage loyalty to the company.

The company also provides for a one-time payment for each new born child, as well as financial aid and school supplies for the children of single parents.

Employees' Healthcare

Hemofarm takes care of the health of its employees. As a pharmaceutical company, we understand the overall importance of prevention within the healthcare system. Nowadays, in addition to stress, fatigue has become one of the biggest problems of an employed person. Consequently, the level of concentration and productivity decreases, which adversely affects the health of employees, and accordingly, the company's results.

During 2012, the company organized

lectures with the topic 'Stress, Burnout and Strategy'.

The company also has expert associates within the Human Resources Division, especially trained to provide psycho-social support to employees and their families in the process of eliminating the negative effects of a number of external factors on their life. Experts help employees balance their career and family life in the best possible way, thus ensuring higher accomplishment in both fields.

Culture of Dialogue and Communication within the Company

Hemofarm nurtures a culture of open dialogue among employees. We communicate with colleagues about all activities in the company which might affect their career in a timely and straightforward way.

Two-way communication between management and employees in the company is something we are especially proud of. We insist that employees should have access to information which may be useful or supportive in work and planning of work activities at any moment.

Special boxes for proposals and opinions are also available to employees, as a form of communication with management. Such a method of communication offers employees the possibility to directly suggest actions for improvement of work conditions and help management to have insight into possible problems in different work units across the Hemofarm business network.

Likewise, information is also available to employees through trade unions which operate within the company. The 2013 the Plan includes setting up information terminals in

Hemofarm in order to increase availability of generally beneficial information.

Both the management and employees have direct communication channels at their disposal, such as e-mail, e-newspaper, as well as meetings during which employees can show interest in issues which they consider important for their own professional development. At the initiative of the Managing Director, the practice of a regular working breakfast of employees and the Managing Director will be instituted in the company. The main motivation for launching this initiative is a desire of the Managing Director to gain insight into activities in the company, and to hear out opinions of other employees, in addition to the management opinions.

Fund for Prevention of Work Disability and Recreational Vacation of Employees

The Fund for Prevention of Work Disability and Recreational Vacation of Employees, known among employees as the Solidarity Fund, operating under the auspices of the Independent Trade Union, was established through mutual agreement between the company and the Independent Trade Union in August 2001. This Fund seeks to make up for the rights to prevention and treatment which employees have been gradually losing due to state health system reforms or which for different reasons cannot be achieved through the Health Insurance Fund of the Republic of Serbia (RFZO). The number of beneficiaries of different types of assistance of the Solidarity Fund has been growing year in and year out (over 600 employees and approximately



100 pensioners of Hemofarm addressed the Fund for some type of assistance in 2012).

The Rulebook of the Fund for Prevention of Work Disability and Recreational Vacation of Employees stipulates that the Fund, within its activities, shall render assistance to employees in the following cases:

- Aid to employees for the purpose of achieving adequate healthcare not covered by the Health Insurance Fund of the Republic of Serbia (RFZO) (medicinal products, specialist examinations, treatments, surgery, orthopaedic devices, medical rehabilitation, etc.)
- Rehabilitation – spa treatments – medical rehabilitation as a continuation of treatment
- Rehabilitation of employees working on posts with increased risk, employees with impaired work ability and employees with over 25 years of service
- Preventive recreational recovery of employees
- One-time financial assistance to employees due to illness longer than 6 months
- Voluntary blood donors are organized in a Voluntary Blood Donors Section within the Solidarity Fund
- One-time financial assistance to employees for childbirth and adoption
- One-time financial assistance to single parent employees for school children at the beginning of the school year
- Sports-recreational activities of employees as part of illness prevention and maintenance of health
- One-time financial assistance to the family of a deceased employee and aid to an employee in case of death of a closest family member
- Aid to pensioners (for medicinal products, laboratory analysis and funeral)



Occupational Safety and Health

The company has been working on creating a safe working environment since its foundation. Occupational safety and health standards are harmonized with the best available standards and internal regulations of STADA Group in order to make our working environment completely safe.

Occupational injuries 2012	
Minor injuries	27
Major injuries	3
Total number of injuries	30
Total number of lost days	568
Injury rate (IR)*	12.543
Lost days rate (LDR)**	2
Lost days rate (LDR)**	34
AR***	2

* Injury rate (IR)= Total number of injuries/Total number of business hours x 200.000

** Lost days rate (LDR)= Total number of lost days due to occupational injuries/Total number of business hours x 200.000

*** Absence from work rate (AR)= Total number of absence from work days/ Total number of business hours x 200,000

***** Total number of days of absence includes sick leave for up to 30 days + sick leave for more than 30 days

Employees are informed about occupational safety and health measures through internal communications – bulletin boards, Intranet, factory newsletter and direct communication with colleagues in charge of this area. The purpose of the training which Hemofarm employees undergo is to get them acquainted with possible risks existing in their immediate

working environment, as well as with procedures for reacting in risky situations.

There were as many as 30 occupational injuries in 2012 of which 27 were minor and 3 were major injuries, accounting for 1.78% of employees. The plan is to introduce the OHSAS 18001 system during 2013.

Standard OHSAS 18001 - (Occupational Health & Safety Assessment Series) is a standard which defines occupational health & safety system management requirements.

Taking Care of Retired Colleagues

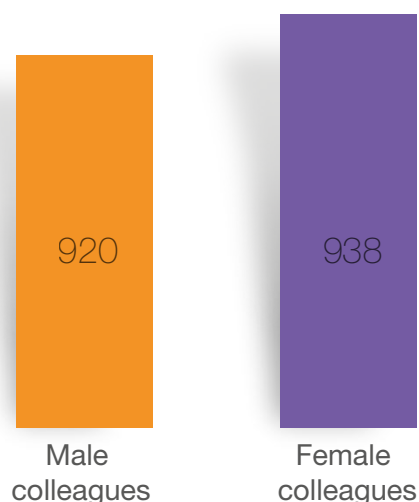
Hemofarm continues the tradition of gathering its retired employees every year. We organize social gatherings for Hemofarm pensioners and give employees the opportunity to learn more about what Hemofarm was like and what it is like now.

Education of Employees

Individual and group training programmes attended by 1.858 employees were held in 2012. Most of them included in-house trainings of newly hired employees, as well as various trainings for new operating procedures throughout the year. Likewise, employees attended numerous external professional trainings as well as 'soft skills' trainings.

In 2012, Hemofarm has invested more than 200.000 euros into external education of which 160.000 euros came from Hemofarm AD.

All newly engaged employees, 64 in total in 2012, had 512 total hours of training. The plan is to focus more on the "soft skill" training in 2013.





We care by giving
our very best

Hemofarm Sustainability Report 2012



Environmental Protection

Environmental Protection

In conducting our business operations we seek to maintain our reputation of a responsible company by preserving the environment for future generations. Our responsibility to the environment goes beyond the obligation to observe standards and applicable legal regulations. For Hemofarm, it is an obligation of providing an example of good practice and of responsible behaviour. We wish to inspire other companies, thus

creating conditions for permanent and sustainable results in this area. The most significant investment in environmental protection is a planned construction of the primary wastewater treatment plant.

The planned investment amounts to EUR 500,000 and will be completed in the next 3 years, whereby the first implementation phase in 2012 amounted to EUR 150.000.

The most important projects implemented in this area include:

- Start of construction of primary wastewater treatment plant – the first phase of sewage network reconstruction (EUR 150,000)
- Dismantling of radioactive lightening conductors (EUR 10,000)

Through a systematic approach, we identify, control and improve the influence of Hemofarm activities, products and services on the environment by observing legal regulations, the international ISO 14001 standard, as well as internally developed rules.

Continuous modification and improvement of the production process contributes to

rational consumption of material and energy resources. We also work on creation of preconditions for Hemofarm's long-term survival in conditions of risk of natural resources shortage and other possible risks. Investment in environment protection, more efficient utilization of water, energy and resources represent investments in the long-term success of Hemofarm.

Waste Management

Waste management represents a general interest of society. Through an organized and well-conceived waste management system,

the company achieves positive economic effects and reduces the negative impact on the environment.

Overview of waste trends by type in tons				
Waste type	01/01/2012	Generated waste in 2012	Disposed waste in 2012	31/12/2012
Non-hazardous	-	260	260	-
Hazardous	13	148	156	5
Total	13	408	416	5

Hemofarm pays great attention to timely and adequate disposal of generated waste. Hazardous waste is exported and disposed of in Austria, according to local and international regulations.

Hemofarm actively works on reducing its waste impact on the environment. The process of packaging materials waste management in Hemofarm is regulated in compliance with applicable legal regulations, while achievement of the national goal pertaining to packaging material waste management has been assigned to an authorized operator, who plans and organizes activities relating to implementation of the state strategy. Through this arrangement, Hemofarm has met its legal obligation of packaging materials waste management.

Recycling is present in the infusion bottles manufacturing process. When polyethylene

infusion bottles are produced, waste is massed in a technological procedure which is then collected in a controlled manner and delivered to the Plastics Plant. Collected waste is then regranulated and returned again to the Plastics Plant for subsequent production of stoppers and hangers for glass infusion bottles. Total quantity of reused regranulated material amounts to 183,622 kg, while the residual regranulate, which was not necessary for production in the amount of 12,000 kg, was sold externally to authorized organizations.

The practice of primary selection of municipal waste within the factory area was introduced for the first time in 2012. In this way, Hemofarm wants to give a positive example to others and to draw attention to economic, ecological and social importance of proper waste classification, saving resources and reuse of recycled materials.

Gas Emission

Emission, with greenhouse effect, has been continuously increasing with industrialization and growth of the population, and all of us feel the effect of climate change. Carbon dioxide, chlorofluorocarbonates, methane and nitrogen are considered to have the greatest effects on global warming.

Hemofarm regularly performs individual measuring of carbon dioxide emission from its boiler plant, which is the sole emission source of this harmful gas. Certified laboratory measuring of the concentration of pollutants shows that emissions are within legally stipulated values.

Quantity of purchased 'ozone-friendly' freon in 2012	
FREON R134A	320kg
FREON R404A	170kg
FREON R407C	67kg
FREON R410A	34kg
FREON R507	78kg

The company performs regular annual review of EMS (Environment Management System) data, the integral part of which includes environment risk analysis. EMS is in compliance with ISO 14001:2004 standard and represents a set of actions and procedures aimed at preserving the environment and their documenting in accordance with the ISO 14001:2004 standard, legal and other requirements. 'Environment Risk Analysis', comprising all processes in Hemofarm, is also a type of system document. A review is performed at least once a year or more often, if needed, in case of process changes which may have an impact on the environment.





During 2012, Hemofarm purchased exclusively “ozone-friendly” freon for compressor stations’ and air-conditioners’ operations. Hemofarm purchased 669 kg of this gas during 2012. An advantage of the newly purchased freons is that, in case of an accident, there is much less harmful impact on the environment in comparison to freon that is not “ozone-friendly”.

Water Management

Hemofarm has constructed a system of water supply for its own needs from an artesian well in its Vršac plant to further rationalize water consumption. Special attention was paid to the analysis performed during construction in order to avoid affecting the public water supply system in Vršac and the surrounding area. The construction of the artesian well in the factory area reduced the burden the production process exerted on the public water supply system.

Hemofarm’s responsibility to residents of the local community, in this case an uninterrupted water supply, is strongly held. Therefore, the artesian well is completely independent from the public water supply system. Total quantity of exploited water from the town’s water supply system is 331.312 m³, while from the artesian well it is 9.106 m³. Significantly reduced quantities of water consumed from the public water supply network due to the construction of

the artesian well are expected in 2013.

Since technical steam in Hemofarm has no contact whatsoever with the product in the technical steam production process, the overall condensate is returned to the boiler room for reuse. Continuous reuse of water used in the production process and use of technical steam are practically performed in this way. Total quantity of technical steam produced in 2012 amounted to 57.800 t, while the quantity of well water recharging the condensate system amounted to 17.600 m³.

1.3 m³ of water is required for the production of 1t of technical steam in Hemofarm working conditions. These 1.3 m³ of water are composed of: 77% obtained by water/condensate reuse and 23% from the fresh well water. If condensate were not reused at all, 75.400 m³ of water would be required for the production of 57.800 t of steam. Since the condensate is reused in the indicated quantity, we need only 17.600 m³ of well water annually for recharging the system, while total savings in water consumption for steam production amount to 57.800 m³ of water.

Waste water treatment and water purification are of essential importance for the preservation of a healthy environment. Overall waste water – technological and sanitary – is discharged into the town's sewage system in which it is cumulatively treated and purified, and eventually discharged to the Vršac canal. Monitoring and reporting on quality of water discharged to the Vršac canal is performed by the competent Public Utility Company in charge of this.

When atmospheric water is concerned, which is drained away by separate sewage system in the Vršac production plant, its quality is established by a certified independent laboratory. It should be noted that the company's initiative to control the quality of atmospheric water before its discharge is not a legal obligation; rather, it is a conscientious decision of the company to take care of the environment.

No fines for breaching any environmental regulations were imposed to Hemofarm in 2012.

Energy Resources

Energy resources consumption increased in 2012 as a result of increased production volume.

Year	Gas (m ³)	Electricity (KWh)
2011	5.630.313	21.854.558
2012	5.515.130	23.085.281

About the Report and Reporting Principles

Reporting Principles

The rules and principles of the Global GRI standard (G3.1) were used as a base to compile and prepare this Report. The Report on Sustainable Development for 2012 fulfils the requirement of Application Level B+.

The Global Reporting Initiative (GRI) is a non-profit organization that promotes a sustainable global economy by setting guidelines for sustainable development reporting. These guidelines are globally recognized and accepted by leading companies.

Use and application of the GRI guidelines helps the organization to provide a transparent performance report in the four areas of sustainable operation – economic, environmental, social, and management.

Besides the company profile and a number of indicators, our report is based on the following principles:

Materiality

The Report covers all topics of interest to stakeholders. We have tried to incorporate all economic, environmental, social, and management-related topics and activities that affected the Company, i.e. activities which could possibly influence our stakeholders' opinions, using various quantitative

and qualitative factors. Determining priority topics in the 2012 Report was done by harmonizing the needs and interests of all stakeholders with the strategic priorities of the Company.

Inclusiveness

One of Hemofarm's objectives is to create an efficient and two-way dialogue with all stakeholders, thus improving mutual relations and enhancing the general level of satisfaction with the company's operations. This Report is just one of many ways in which we attempt to initiate a dialogue. Other important activities include our internal survey of employee attitudes, our annual survey of professionals (doctors, pharmacists, wholesalers, and privately-owned pharmacies) as well as market research to understand how our business operations affect the environment.

For that very reason, we look forward to any feedback readers might have regarding this Report's quality and/or contents.

Hemofarm will consider all comments and suggestion in order to improve the quality of future reports. Please send feedback to svakodobro@hemofarm.com.

Sustainability

Sustainability of business operations is the principle by which the company evaluates its long-term impact on the environment and presents its activities at the national, regional, and global level

Completeness

The Report provides inclusive information and data up to 31 December, 2012 and where possible comparative data for the preceding year. Financial and business indicators have been taken from Hemofarm AD consolidated financial statements for 2012, and refer to the activities of the company in Serbia, excluding related legal entities in Montenegro, Bosnia and Herzegovina, Romania, as well as Hemofarm Sabac d.o.o.

Balance

Balance requires explaining both the positive and negative impact that Company has on sustainability, by which an unbiased and objective overview of company performance is presented.

An objective overview of the company's performance during 2012 regarding economic, environmental, and social factors, is based on responses to 30 indicators of the GRI methodology, which demonstrate all significant information, regardless of their characteristics.

Comparability

Comparability means laying out data in a consistent and continuous way, enabling comparison with GRI standards and with other companies.

As this is the first Sustainable Development Report prepared by Hemofarm A.D., there is no previous year's report which can be used for comparison purposes.





Accuracy

Accuracy implies presentation of adequate qualitative and quantitative information, as well as continuous improvement of systems for data preparation and analysis. Where original data was unavailable, calculations have been made and an explanation of the methodology has been provided.

Timeliness

Timeliness implies consistency in reporting frequency and reporting period length, ensuring regular availability of information and enabling adequate and timely decisions related to the company and its operations.

Clarity

Clarity refers to the presentation of information in an organized, simple, and transparent manner that ensures information accessibility.

The main aspiration which guided the preparation of the 2012 Sustainability Report was to ensure its accessibility and comprehension for all interested stakeholders

Reliability

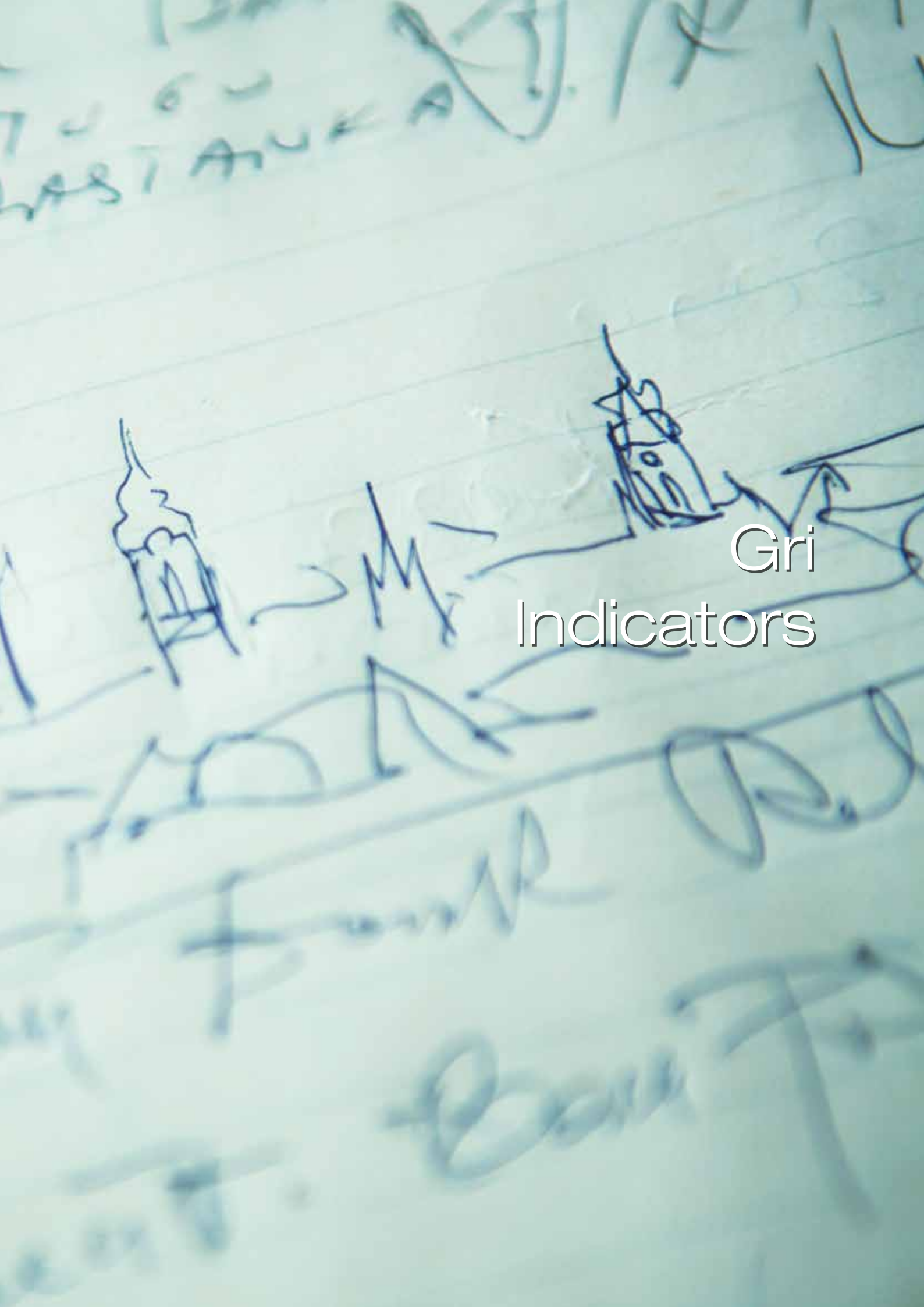
Reliability implies collecting, recording, compiling, analyzing, and disclosing information in a way that can be examined and which establishes the quality and materiality of the information.

The verification of this report and its compliance with the standards and requirements of the globally recognized GRI methodology have been verified by the independent auditor firm KPMG d.o.o. Belgrade.

A background image featuring a light blue, textured surface with faint, hand-drawn sketches in blue ink. The sketches include a building with a chimney, trees, and a landscape with a path. The text is overlaid on a semi-transparent grey rectangular box.

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our very best

Hemofarm Sustainability Report 2012



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Gri
Indicators

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LA 7	Rates of injury, occupational diseases, lost days, and absenteeism (absence from work), and number of work-related fatalities by region and gender	74
There are no employees with diagnosed occupational diseases in the company		
LA 8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding severe diseases	68,71,76
LA 12	Percentage of employees receiving regular performance and career development reviews, by gender	70
LA 15	Return to work and retention rates after parental leave, by gender	66

HUMAN RIGHTS		
HR		PAGE
HR 4	Total number of incidents of discrimination and corrective actions taken	68
HR 5	Identified operations and significant suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	69
HR 6	Activities identified as having significant risk for incidents of child labour, and actions taken	66
HR 7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and actions taken to contribute to the elimination of all forms of forced or compulsory labour.	66
HR 9	Total number of incidents of violation of minority rights	
During 2012, there were no recorded cases of violation of minorities' rights		

SO	LOCAL COMMUNITY	PAGE
SO 2	Percentage and total number of business units analyzed for risks related to corruption	25
SO 4	Actions taken in response to incidents of corruption	
	During 2012, there were no recorded incidents of corruption	
SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by the state	
	During 2012, the company did not participate in financing of politicians, political parties, or related institutions	
SO 7	Total number of legal actions instigated for anti-competition, anti-monopoly and anti-trust behavior and outcomes thereof	51
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	
	During 2012, there were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	

PR	PRODUCT RESPONSIBILITY	PAGE
PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant product and service categories subject to such procedures.	50
PR 3	Type of product / service information defined by company rules and procedures and percentage of significant products and services subject to such information requirements	39
PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning adequate labelling of product by type and outcome	
	During 2012, there were no incidents of inadequate labelling of products	
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	52
PR 6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	25,29
PR 7	Non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship During 2012, there were no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	
PR 8	Total number of substantiated complaints regarding breaches of customer privacy or losses of customer personal data	49
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	



We care by giving
our very best

Hemofarm Sustainability Report 2012

PROPISI II

- KONTROLA ROBE -
- OSTALI PROPISI -

PROPISI I

- CARINSKI -
- SPOLNOTRGOVANSKI -
- DEVIZNI -

Assurance Report



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TRANSLATION

Limited assurance report on the Hemofarm Sustainability Report 2012

TO THE OWNERS

HEMOFARM A.D., VRŠAC

Scope and Responsibility

We have reviewed the Hemofarm Sustainability Report 2012 ("the Report") of Hemofarm a.d., Beograd (the "Company"). Management is responsible for the preparation of the Report in accordance with the G3.1 Global Reporting Initiative Guidelines (GRI), as set out in the "About the Report and Reporting Principles" section. Management is also responsible for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Procedures performed

We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)", issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

These procedures included:

- comparison of information and data presented in the "Key Financial Indicators" section of the Report to the corresponding information and data included in the Company's standalone financial statements as at and for the year ended 31 December 2012, on which auditor issued report dated 20 June 2013 in accordance with the Law on Accounting and Auditing of the Republic of Serbia;
- analysis of key processes for generating, recording and managing quantitative data presented in the Report. In particular we performed the following procedures:
 - interviews and discussions with management of the Company to gather information on the IT, accounting and reporting systems used in preparing the Report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the Report;

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TRANSLATION

*Hemofarm a.d, Vršac
Limited assurance report on
the Hemofarm Sustainability Report 2012
31 December 2012*

- sample based analysis of related documents used in preparing the Report serves the purpose of confirming process effectiveness, their adequacy with respect to described goals, as well as that the internal control system is properly managing data and information included in the Report;
- analysis of reconciliation of qualitative information included in the Report, with guidelines noted under Scope and Responsibility, as well as general consistency, especially in the sense of strategy and policy of sustainable development and assignment of material issues for each category of interested parties;
- analysis of the process of involvement of interested parties in terms of methods used and completeness of participants, based on review of minutes from meetings or through all other available information on identified key factors;
- receipt of representation letter from the Company's legal representative on compliance with guidelines set out under Scope and Responsibility, as well as reliability and completeness of information and data presented therein.

The extent of evidence gathering procedures performed in a limited assurance engagement is compliant with ISAE 3000 and provides a lower level of assurance in that we would potentially have identified significant issues and events in an audit.

Opinion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report of the Company is not prepared, in all material respects, in accordance with the G3.1 GRI - Global Reporting Initiative Guidelines, as set out in the "About the Report and Reporting Principles" section.

As indicated by the management in the "About the Report and Reporting Principles" section of the Report, the Company intends to continue to extend the reporting scope of the Report through further standardisation of the existing information and data gathering procedures.

Belgrade, 19 November 2013

KPMG d.o.o. Beograd

(L.S.)

James Thornley
Partner

This is a translation of the original Limited assurance Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 19 November 2013



KPMG d.o.o. Beograd

[Handwritten signature]
James Thornley
Partner



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This report has been printed on the paper produced
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standards of the Forest Stewardship Council (FSC).