



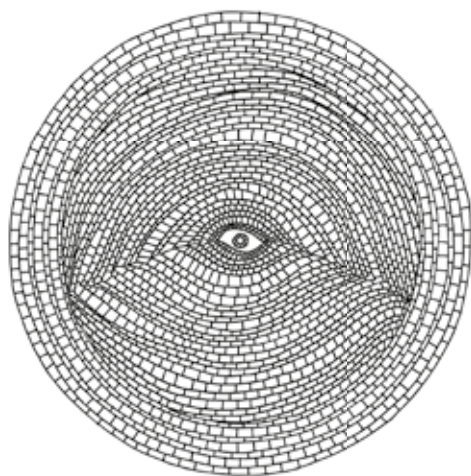
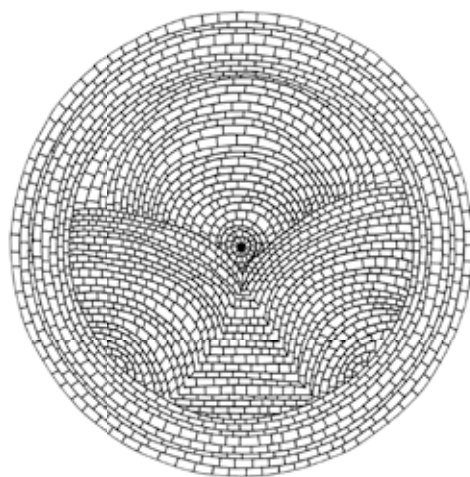
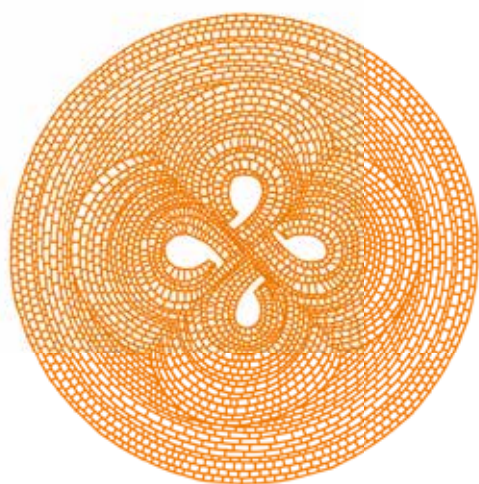
SUSTAINABILITY REPORT 2013



The report on sustainable development of Hemofarm A.D. is prepared for the second year in a row, according to international guidelines of the Global Reporting Initiative. This year, the report has been prepared in compliance with GRI 3.1. guidelines, and rated B+, with presentation of 48 indicators.

Assessment of compliance of the report from 2013 with those guidelines, as well as the accuracy of the information stated in the report has been verified by independent auditing agency KPMG d.o.o. Belgrade, Serbia.

Cover and first page illustration: Ksenija Pantelić





About the Report and the Principles of Reporting

Foreword	4-5
Why sustainable development	6-7

About the company

- Company profile	10-11
- Core values	12-13
- Management structure and management principles	14-15
- Communication with stakeholders	16-17
- Hemofarm Membership	18-19
- Prizes and awards in 2013	20-21

Business Operations

- Key financial indicators	24-27
- Research and development	28-29
- Operative excellence	29
- Procurement	30-33
- Introduction of new producers of primary materials	31
- Procurement in accordance with principles of social responsibility and use of recycled input materials	32
- Production	34-37
- SCORE – The chain of supply reorganization and optimization	36
- Storage and transport	38-39
- Quality control	40-41
- Complaints	42-43
- Marketing, sales and product advertising	44-45
- Product packaging and repositioning of OTC products	46-47
- Expert public opinion and the product satisfaction of product users	48-49

Corporate philanthropy

- Hemofarm Foundation and contribution to the environment	52-53
- Supporting culture	52
- Health care	53
- Young talents and education	54
- Support for the most vulnerable social groups	54-55

Human resources

- Strategic objectives and relationship with employees	58-61
- Right to work, structure and general data	59
- Union organization	61
- Education and programmes for stimulation of employees	62-63
- Safety and Health at work	64-66
- Employees' Healthcare	65
- Work disability prevention fund and recreation leave of employees	66

Environmental protection

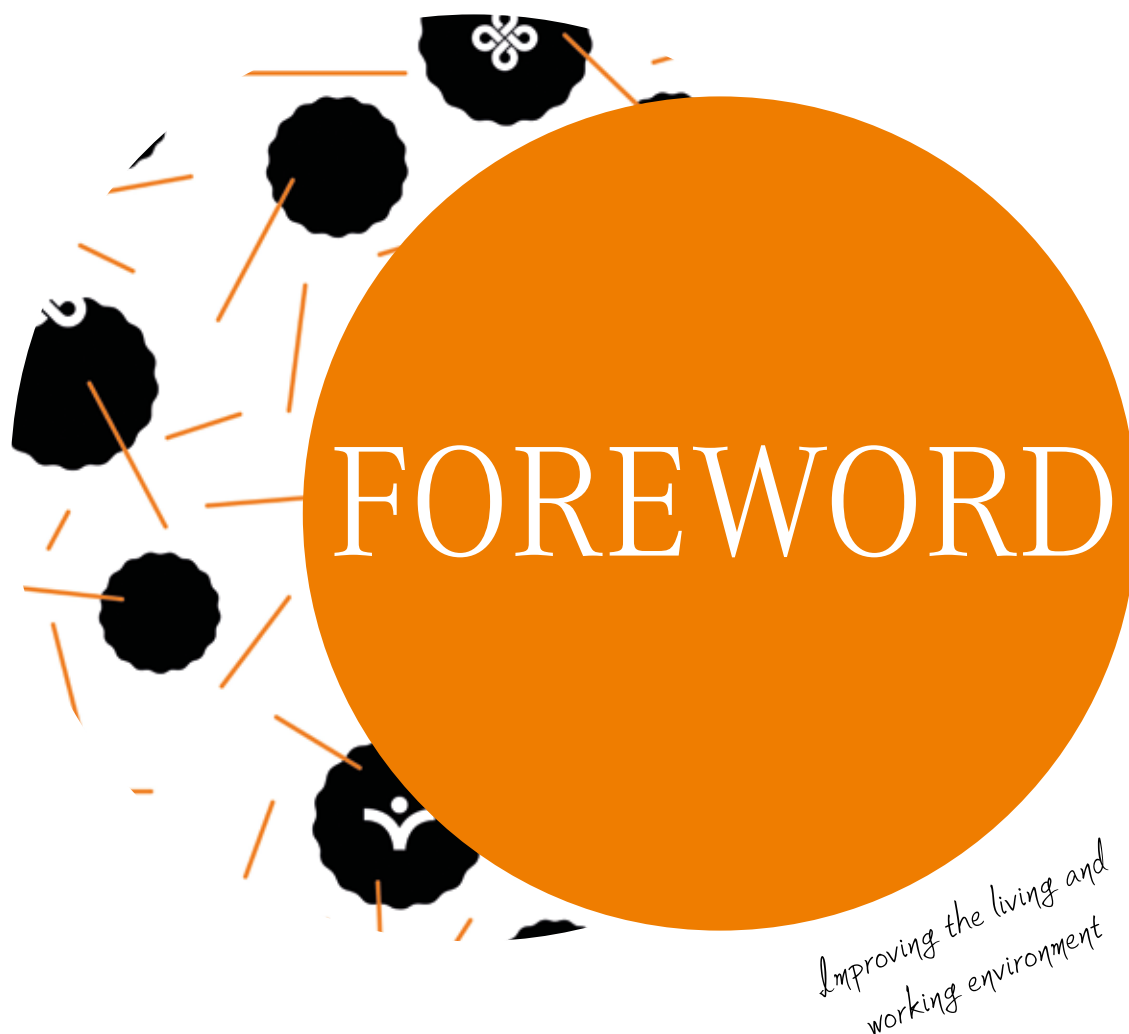
- Responsibility for the future	70-71
- Waste management	71
- Gas emissions	71
- Water management	72-73
- Energy	74-75

About the Report and the Principles of Reporting

- Reporting principles	80-81
- GRI Indicators	82-88

Assurance report

- Assurance report	82-88
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Strategic orientation of Hemofarm incorporates a vision of long-lasting development focused on responsibility towards the community. Last year we have initiated business reporting with the intention to highlight our efforts to continuously improve the application of the principle of sustainable development and to improve the quality of communication with business partners, state institutions, internal and external public. We believe that Hemofarm's mission can be carried out by developing activities through principles of sustainable development and harmonization with corporate key values – **CARE, QUALITY, AVAILABILITY AND TRUST.**

In a very challenging and variable business environment, Hemofarm achieved significant results in 2013; it retained a leading position in Serbia and increased its export. Production set a new record: for the first time in 53-year-long history, it reached production of an impressive 200 million package units. We carried out significant investments in the field of production improvement, storing and quality control capacities; one should point out the new packaging line and coating equipment at the Solid Dosage Forms plant in Vršac. We have successfully installed the Mobile Shelf System at the Packaging Material Storage, and we have also expanded the Laboratory for quality control in Timisoara, for products intended for EU markets.



dr Ronald Seeliger
Chief Executive Officer



Sonja Pejović
Executive Officer of
Technical Operations



Dušan Milutinović
Chief Financial Officer



Saša Ostojić
Executive Officer of
Marketing and Sales

More than 20 successful controls made by competent international authorities in Hemofarm's production lines have confirmed the consistency of quality and safety of our products. Implementation of the latest international standards and technological solutions, coupled with competence and reliability of our employees undoubtedly leads to superior results.

Although the company has a long and successful tradition, Hemofarm at the same time confirms that it is a modern company that keeps up with changes. This is best illustrated by global corporate rationalization, as well as by establishment of STADA IT Solutions, a specialized IT company, which expanded our field of action in development of quality and sustainable operations. Certificates and awards for business and social responsibility, won by Hemofarm in 2013, confirm the vision of our management that Hemofarm exceeds expectations in products quality and care for the community.

By investing and donating the sum that exceeds 85 million RSD and by showing general concern for the community and environment, Hemofarm stands as the leader of Serbian economy in responsible politics and preservation of core values. Continuous efforts and responsible approach to business are obvious – by using recycled cardboard we annually preserve 27,000 trees. Such achievements motivate us in further planning and maximum savings and restoration of the natural resources, for we are determined to leave a nicer and healthier planet for generations to come.

In 2013, the Hemofarm Foundation marked two decades of work, continuing to improve our corporate philanthropy. We confirmed our care for the community during the devastating floods in the Balkan countries in May 2014. On its own initiative Hemofarm was among the first companies to react by sending a donation in medications. It also sent financial and material help which worth was EUR 400,000 to most affected citizens in an effort to help those who were most in need.

Macroeconomic and business situation in Serbia is still very challenging, but we believe that we will continue to set an example of efficiency and responsibility, as we have done so far, by achieving ambitious business goals. Dedication and innovation in everyday work are the foundation of our path, where we, through our own development, try to improve the quality of life of the community we live and work in.

All the best!



In today's modern society, we are faced with a multitude of arising issues such as global rise in population accompanied at the same time by a decrease in food production and the exhaustion of available natural resources. Therefore, it is important to change existing habits and to induce companies to implement methods of sustainable development into their business operations. Hemofarm is already on this path. We maximally concentrate on the rational and responsible use of available resources, also enabling future generations to enjoy the same resources for centuries to come. These efforts are propelled by constant contributions and aid for the development of local communities.

Hemofarm's mission to produce, offer and make available high-quality medicaments to the pharmacists and the doctors, as well as to the entire population of Serbia and beyond, can only be carried out through the principles of sustainable development. It should be noted that the company's impact in terms of sustainability grows as suppliers and partners become more intensively involved, conjointly implementing a synergy effect to reach the common goal of sustainable development. Furthermore, waste management, concerning all forms of depleted and unused materials generated by each and every one of us, is a topic equally significant to us. We, at Hemofarm, are working on the prevention of waste creation with our suppliers, in an effort to drive waste management in the right direction by bolstering our partners' and consumers' awareness.

Sustainable development reflects our firm belief and commitment to manage changes and resources in a responsible way. It will not only leave open space for human development but it will definitely make it possible. It is not, and it must not be, only a current focus of global business attention and corporate practice, but it has to be our continuous responsibility and duty to constantly preserve and improve the environment we live in and work in for present and future generations.

Latest developed methods include transport packaging and secondary packaging made from recycled cardboard, pallets and tapes made of biodegradable raw materials, and various projects of operative excellence, which identify and minimize losses in the early stages of production procedure. Through these actions we are making Hemofarm itself, but also the environments in which it does business, a better place to live and work in.



Natalija Popović
Strategic and Sustainable
Development Director

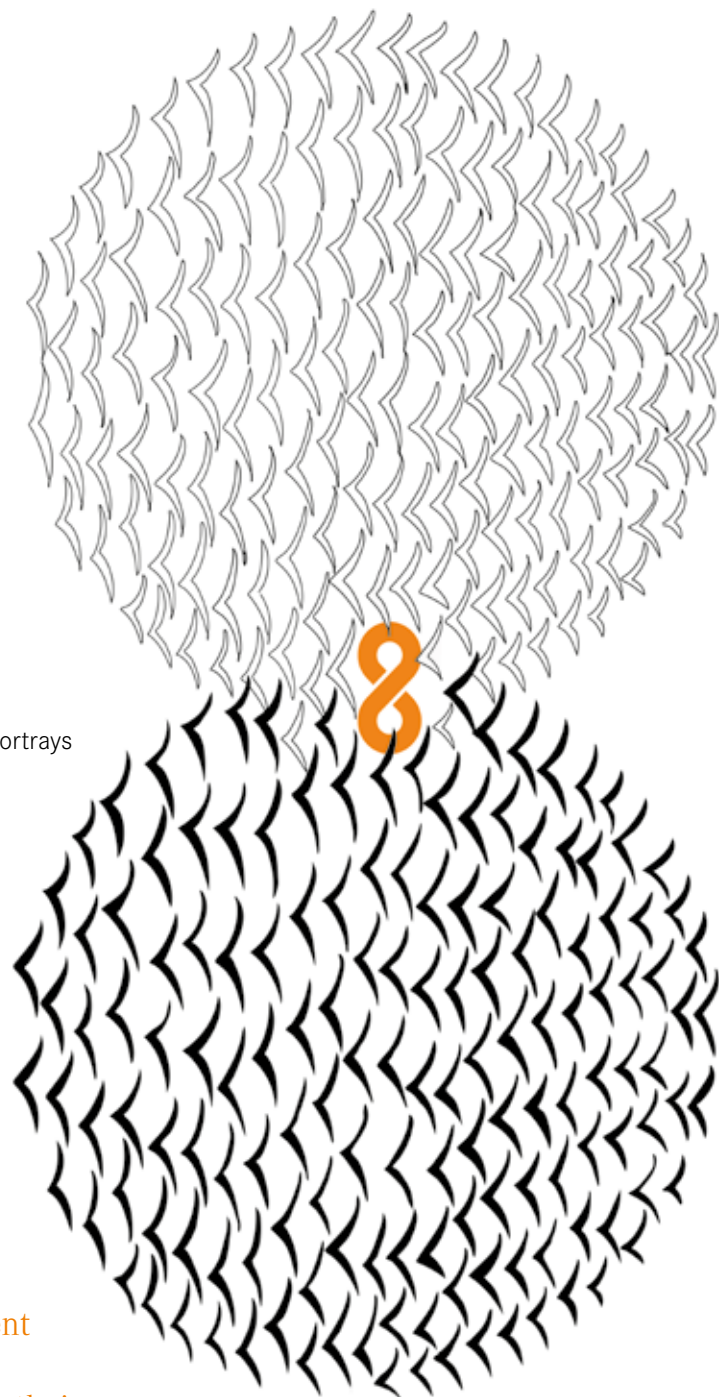
The motivation for the choice of introducing recycled cardboard in the process of secondary packaging comes from the fact that 33% less energy and 66% less water is needed for its production. Also, the emission of harmful gases in production of recycled cardboard is 70% less than during the production of non-recycled cardboard.

We present you Hemofarm's second Sustainability Report, which portrays our business activities throughout 2013. This report is, actually, an expression of our strategic dedication to the improvement of operations, development of dialogue and partnership with all stakeholders, but it also presents perennial activities in the CSR sector, highlighted by 20 years of successful work and contribution to the community by Hemofarm Foundation.

This report is the best opportunity for us to transparently illustrate the most significant social, economic and environmental challenges that we overcome every day. We boost awareness about social responsibility and the therewith associated issues by expanding our core corporate values throughout the region.


This is how we justify the trust as a leading pharmaceutical company in the Western Balkans.

By presenting Hemofarm's sustainable development in 2013, we have tried to inspire other companies and individuals to follow our example and improve their environment and operations.



ABOUT THE COMPANY

Care 

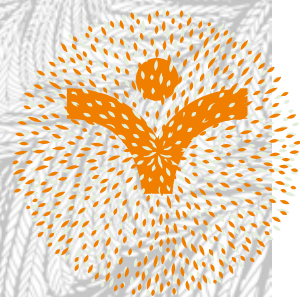


Number 1 pharmaceutical company in Serbia with 33.7% market share – practically every third pharmaceutical product in the market comes from Hemofarm

Largest pharmaceutical exporter and one of top 7 exporting companies in Serbia – total export value in 2013 amounted to RSD 13,978,708,000

1.648 employees at Hemofarm A.D.

Winner of the "Best of Serbia" award as the best corporate brand in the chemistry, cosmetics and pharmaceuticals category





COMPANY PROFILE

Hemofarm is one of the leading generic pharmaceutical companies in Serbia and the region, established through recognized and traditionally trusted product quality. This is precisely the imperative that STADA Group recognized in the 2006 acquisition.

The mission of our company is to cherish safety and trust in our products' quality, availability, and to care about protection and improvement of health. We have merged all this into our umbrella corporate slogan – “Svako dobro” (All the Best).

- Leading pharmaceutical company in fiscal 2013, with 17.5% market share, i.e. 33.7% share observed by the number of packages placed
- Member of STADA Group since 2006
- More than 3.8 billion package units in 2013
- Biggest conventional drug exporter, and one among top five exporting companies in Serbia
- In 2013, Hemofarm exported products in the value of RSD 13 billion 978 million 708 thousand
- It is the company with more than 1,648 employees
- Manufacturing and commercial space is more than 120,000 m².

Hemofarm A.D. was founded on the 1st of June, 1960 in Vršac, Serbia. The primary activity of Hemofarm is the production of high-quality, effective, safe and available generic pharmaceutical products which implies the use of state-of-the-art technologies. Hemofarm Group has factories in:

- Vršac (central production complex with 4 production lines and high-bay warehouse building; production of solid dosage forms, sterile products, infusion solutions and injectable medicines)
- Podgorica (production of infusion solutions, ophthalmological products and cephalosporin antibiotics)
- Šabac (production of solid dosage forms, liquid and semi-liquid products),
- Banjaluka (production of solid dosage forms)
- Dubovac (production of antibiotics)

Besides the headquarters in Vršac, Hemofarm has registered office branches in Belgrade, 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 representative offices in Algeria and Iraq. Hemofarm also possesses European Laboratory in Timisoara, Romania.

The most important advantages of Hemofarm include:

- motivated and professional staff oriented towards 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 portfolio
- quality management and certification as a confirmation of our quality
- top-quality research and development.



CORE VALUES

Care

Hemofarm bases the entire approach in doing business on four core values: Care, Quality, Availability and Trust, and the company's corporate logo is "Svako dobro!" (All the Best). "Svako dobro" is a confirmation of the corporate philosophy by which we tend to promote the quality of life and people's health.

Quality

In 2013 we have started the first, out of four, internal campaigns with the main goal to bring closer the corporate core values of our company to our employees. The "Care" campaign opened a new chapter in Hemofarm's internal communication. The main idea was to motivate employees to contribute to a better work atmosphere between sectors through personal engagement in different activities. The plan's primary aim was to ensure that the employees participate together in many campaign activities which were practically designed to incorporate these core values into everyday communication. One of the most affirmative segments of the campaign was the selection of "Care ambassadors". Hemofarm employees nominated and elected the representatives who would not only constantly represent this core value, but would also affect the other employees with their own example, encouraging them to follow this system of values in their professional and private environment. Furthermore, the employees took a part in making of promotion film that illustrates "care" and presents "care" as a leading promotion element of our campaign. The employees have directly shown what "care" really stands for in Hemofarm's everyday work environment.

Trust

Internal campaign for promotion of Hemofarm's three other core values will last until the end of 2014 (Availability, Quality and Trust), for we want our employees to live and exert those core values every day, in their work environment, but also outside the company, as well.

Availability

In an effort to share our striving towards improvement of the quality of life and people's health with the community we live and work in, last year we successfully carried out the first "Svako dobro" corporate campaign. This is the first corporate campaign conducted in Serbia, after the creation of Hemofarm's new visual and communication identity. The campaign was planned to be spread into the region as well, with the main goal of company's repositioning. Hemofarm is not only a manufacturer of high-quality and available drugs and pharmaceutical products, but much more than that – a company that cares about people, trying to help them develop awareness about the importance of medical prevention and personal responsibility towards their own health. Hemofarm is a company that strives to improve the general quality of life. By creating and performing this campaign, we want to point out at least one side of these values, which should bring closer Hemofarm company to all people.



MANAGEMENT STRUCTURE AND MANAGEMENT PRINCIPLES

As per its legal form, Hemofarm is a closed joint stock company. The company is managed by the Assembly of Shareholders and CEO. The highest managing body in Hemofarm is the Assembly of Shareholders. Through the election of the Directors it influences the course of operations in the company and it also supervises that the elected CEO works in the best interest of the company and its employees, in accordance with his supreme professional and personal competence.

Revised internal legislation acts abolished the existence of Board of Directors, and its jurisdictions were transferred to the CEO. The implicit goal was to continue corporate rationalization by diminishing bureaucracy, where the decision making process was made more efficient and more flexible. The members of the former Board of Directors changed their positions from heads of corporate functions to heads of organizational sectors:

1. Saša Ostojić – Executive Officer of Marketing and Sales
2. Sonja Pejović – Executive Officer of Technical Operations
3. Dušan Milutinović – Chief Financial Officer

The gender structure in the top management shows that the question of gender equality has been taken in consideration when it comes to managing the company, where special attention is paid to recruitment of the most competent individuals from the local community in the municipality in which the company's headquarters are located, i.e. in Vršac.

Hemofarm's strategic determination is to apply the best international practice across all business sectors. Following the model of Organization for Economic Co-operation and Development (OECD), and after a detailed and comprehensive expert analysis in the field of economic co-operation and development with tendency for continuous improvements, Hemofarm has after complete and thorough expertise of its own business operations adopted its own principles of corporate management, which require application on all levels within the company. The introduction of good business customs and independence is performed in order to secure a long-lasting business development.

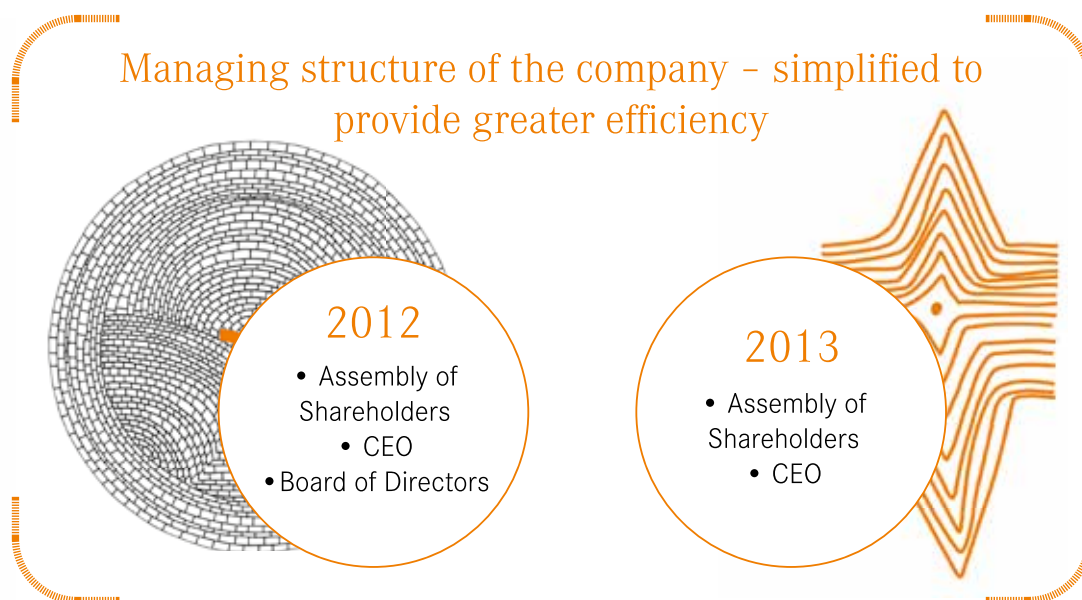
The Principles of corporate management

1. Prohibition of corruption and maintenance of financial integrity
2. Cooperation with members of professional circles and their institutions
3. Cooperation with relevant state bodies and institutions
4. Respecting the competition protection

5. Prohibition of money laundering
6. Mutual respect and tolerance and Prohibition of abuse and discrimination
7. Separation of interests
8. Prohibition of insider trading
9. Prohibition of political activity inside the company
10. Maintenance of products' quality level
11. Environmental and health protection and employees' safety
12. Protection of Hemofarm's property
13. Keeping safe business information and documentation
14. Rational use of electronic means of communication
15. Coordinated external communication.

As a part of internal set of preventive anti-corruption measures, at the end of 2013, Hemofarm's Legal department in cooperation with the Procurement department made a form of statements for all the employees in the Procurement department, as a confirmation that they are not in conflict of interest in the process of performing their jobs. By filling in these forms the employees certify that they are in no way connected to any of the suppliers, and that suppliers cannot affect their impartiality. Also, a form of statement has been made about the absence of conflict of interest in the cases of specific types of procurements, when inter-sectorial tender commissions are formed, and when there is a need for persons not employed in Procurement sector to give such statement. This was implemented during 2014.

Managing structure of the company – simplified to provide greater efficiency



Competent international bodies and institutions of the countries in which Hemofarm exports its products conduct inspections of company's production lines. Hemofarm, also, acts proactively in this matter and regularly controls its suppliers, in order to confirm harmonization of their work with requests of European and global regulations, and in order to prevent potential problems. These inspections are conducted regularly, following the annual plan determined by the STADA Group, but there are also unscheduled inspections, if needed, in order to maximally protect the quality of products.

The specific nature of pharmaceutical industry comes with special risks, and one of them is the existence of counterfeit medications. Counterfeit of pharmaceutical products represents serious danger not only for the company's reputation, but also for the users' health. The company protects itself from medication forging during the final stages of production, when the products are packed and labelled with appropriate control stamps whose technological solutions (such as holograms) diminish the risk of replication. Hemofarm did not register any case of counterfeit medications from its portfolio in 2013.

In 2013, Hemofarm has also initiated the implementation of an internal project, which goal is to improve and modernize administrative procedures in the entire corporate organization. The project was symbolically named "Green", and it was carried out through the process of grouping of sectors that perform similar operations, improving the efficiency in making and implementation of decisions, making clear division of roles and responsibilities in conduction of business tasks, minimization of task and obligation redundancies, more transparent and stronger cooperation between sectors and fortified cooperation with business partners. The transparent implementation of "Green" project has enabled Hemofarm not only to keep up with global trends in doing business, but also to strengthen its position within the STADA Group, placing itself on the global map in the process.



COMMUNICATION WITH STAKEHOLDERS

At Hemofarm we constantly strive to improve the trust we have established with others and, whenever possible to reconcile the interests of all stakeholders.

The year 2013 was characteristic for our company, due to our participation in public discussions about laws and bylaws connected to the Law on drugs and Trade Law. During the preparation of legal regulations, or during the update of above mentioned, within the pharmaceutical and similar industry branches, the professional skills and expertise of our employees are regularly offered to state authorities on the strategic and operational levels. Hemofarm maintains regular contact with local government representatives in areas where it operates. The goal of Hemofarm's management is to achieve the highest business principles and to harmonize our operations with international legislation and EU standards, in order to further incite the development of the domestic corporate sector.

We have started to harmonize our own business approach with the BSCI code of conduct (Business Social Compliance Initiative) which represents the set of values and principles that reflect the BSCI views and expectations from their business partners. Beside the above mentioned Code, all our activities are harmonized with current domestic and international legal documents, which is fully applicable during the communication with all interested parties.

We communicate with consumers and with all stakeholders directly as well as through the media, which represent an important part of our efforts to improve our market position and to improve our position of socially responsible company whose products are high-graded and one can always rely on.

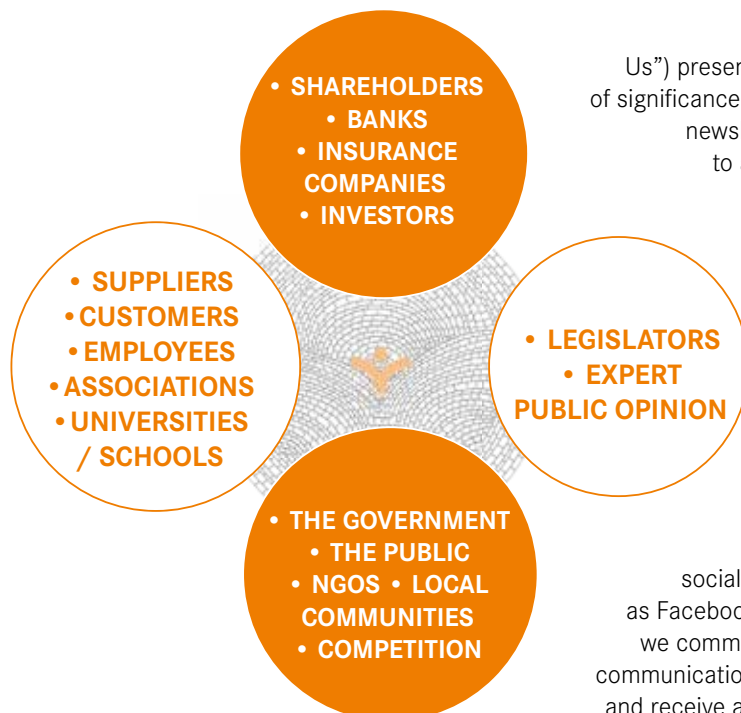
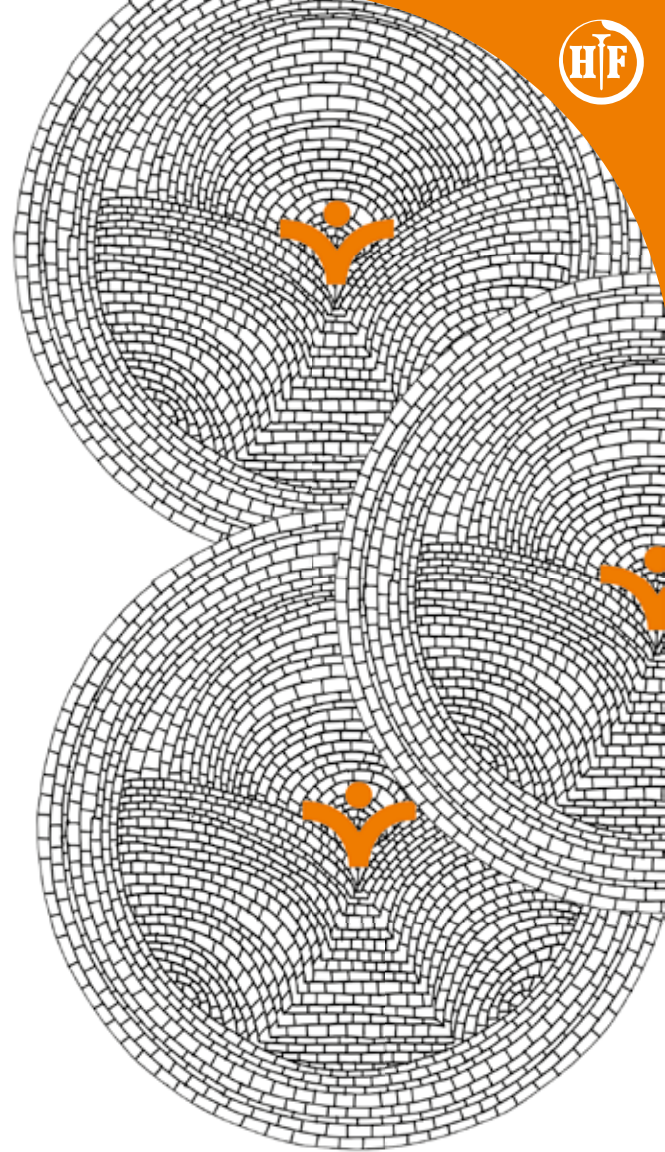
We have also provided special contacts for consumers, to receive suggestions and objections, via corporate internet presentation at www.hemofarm.com, and via phone (+381) 013/803-100, i.e. by e-mail svakodobro@hemofarm.com.

Through market research analysis and by analysing consumers' needs, the company reacts to market's needs and provides regular supply of its products. Surveys of the expert public opinion are also regularly conducted – they include surveys for medical specialists and general practitioners – in order to gain full insight in the needs and reactions of patients on our products. This is an important source of information when it comes to removing possible enhancement opportunities and increasing the efficiency of products.

Our Communications Centre is open for all questions from journalists and the media, constantly improving our relations with them. The centre also acts proactively and informs the public about the most important events connected to the company, product offers and the activities of the management, thus making Hemofarm a transparent and dedicated partner.

Every 1st of June, on the company's birthday, we open the doors of our production lines in Vršac, and enable all interested parties to visit us and to become acquainted with our operations.

The corporate web portal INtranet represents the most significant channel for internal communication with employees. On the intranet, employees can find out more about actual events within the company, and external activities of Hemofarm through news, video footages, and photos. Also, this internal web portal is a useful work space where employees have access to necessary corporate documents, rulebooks, etc.



The internal e-newsletter “Među nama” (“Among Us”) presents the news about corporate activities which are of significance for the internal public. It is an in-house quarterly newsletter received by all employees who have access to a computer, via mailing list. Every issue 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 enable all the employees to be equally informed, as well as to encourage them to actively participate in the preparation of our in-house e-newsletter by suggesting topics and sending news on actual events within their respective divisions.

Also, we have been paying increasing attention to social media networks and other Internet services such as Facebook, YouTube, Twitter, Instagram etc. through which we communicate with various target groups. These modern communication channels offer us additional possibilities to hear and receive all the feedback from stakeholders, and to start an active dialogue.



HEMOFARM MEMBERSHIP



1. Serbian Chamber of Commerce

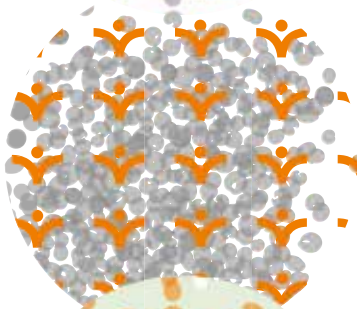
(CCIS) – Pharmaceutical Producers Group and Association of producers of food supplements-independent non-governmental, business and expert, and interest association of legal and private entities, who are conducting registered business activity.



2. German-Serbian Business

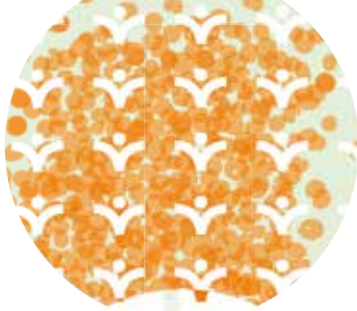
Association in Belgrade (DSW) –

Established in 2003 by the German Chamber of Commerce in Belgrade (DIHK) and numerous German companies in Serbia, as the biggest business association that represents a network of legal entities active in bilateral business relations between Germany and Serbia.



3. Delegation of German Industry and Commerce in Serbia (AHK) –

Organization whose mission is to support German companies when they enter the Serbian market; it explores the market and establishes business contacts.



4. Foreign Investors Council (FIC) –

Business association whose mission is to entirely help Serbia accept and foster market economy and introduce the system of European values and standards.



5. American Chamber of Commerce in Serbia (Am Cham) –

Non-profitable organization, whose primary goal is to establish mutual cooperation and friendship between Serbia and USA in the field of trade, investment and economic development.

6. National Alliance for Local Economic Development (NALED) –

The only business association that gathers representatives of all three sectors of the society (companies, municipalities and NGOs), so they could jointly contribute to improvement of conditions for local economic development and operations in Serbia.

7. GS1 – The leading global organization dedicated to creation and implementation of global standards and solutions that improve efficiency and visibility in the supply chain on the global level, in all sectors.



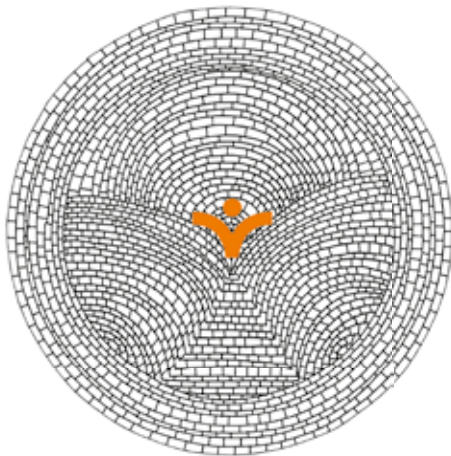
*The Leader of the business
Environment in Serbia*

PRIZES AND AWARDS IN 2013



“Captain Miša Anastasijević” Award

Hemofarm Foundation is the winner of the “Captain Miša Anastasijević” Award in 2013 for contributions to the development of corporate social responsibility in the region of South Banat. The award, named after a prominent entrepreneur, benefactor and endower from the 19th century, has a goal to show that in times of transition and omnipresent crisis, there are still individuals, companies and institutions which move in line with Europe and the world, offering an example and abetment to others.



“Business Environment Leader” Award

CEO of Hemofarm, Dr Ronald Seeliger is a winner of the national “Captain Miša Anastasijević” Award in the “Serbian Business Environment Leader” category. The “Captain Miša Anastasijević” Award is one of the most prominent corporate and social awards in Serbia, which is presented within the frameworks of the “Put ka vrhu” (“Road to the Top”) project of Media Invent Company, with the goal to affirm social and entrepreneurship values, creativity and CSR operations, based on the decision of a jury made by prominent representatives of the Vojvodina Chamber of Commerce, Belgrade Chamber of Commerce and Faculty of Technical Sciences, University of Novi Sad.



“The Best from Serbia” Award

Hemofarm is the winner of the prestigious “The Best from Serbia” Award as the best corporate brand in the category of chemical products, cosmetics and pharmaceutical products. “The Best from Serbia” campaign was organized by Serbian Chamber of Commerce in cooperation with the Ministry of Foreign and Internal Trade and Telecommunications, and daily business newspaper “Privredni pregled”. The main parameters for the evaluation of brands were: market-financial criteria, respondents’ perception and the evaluation from an expert jury. The goal of this campaign is to incite the creation of high-quality Serbian products, to promote the best commodities and corporate brands from Serbia, to strengthen their market position and to build the trust between consumers and partners in the country and abroad.

BUSINESS OPERATIONS

Quality⌘



Directly generated value increased by 8% compared to 2012



Production volume increased by approximately 4% to record production of 3.8 billion units

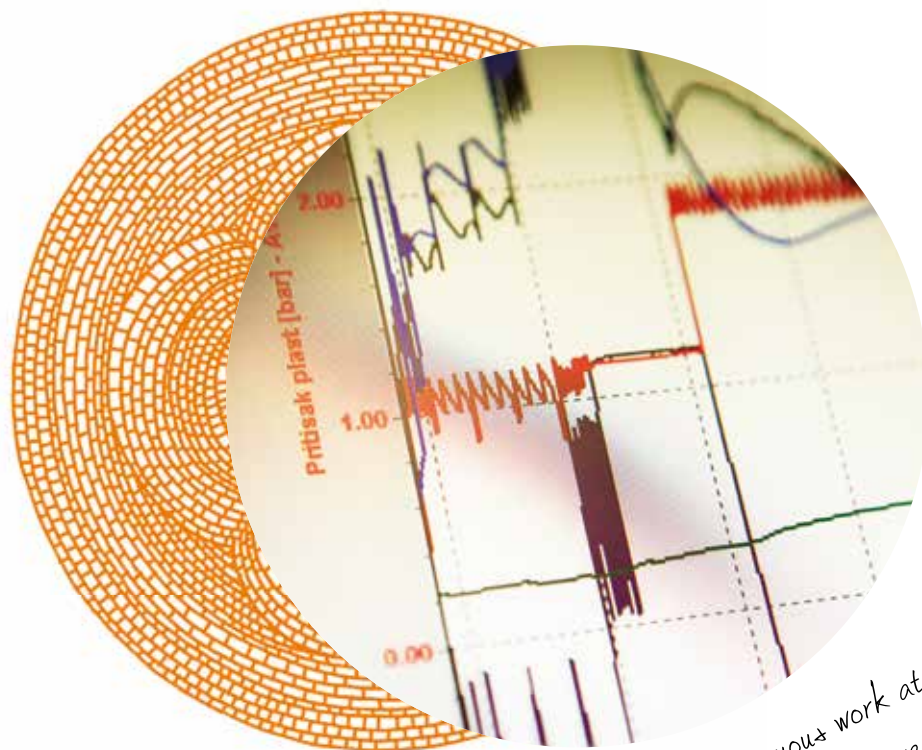


A total of 158 registered solutions, 2.5 times more than in the previous year



Foundations laid for the implementation of the BSCI Code of Conduct





Continuous work at quality improvement

KEY FINANCIAL INDICATORS

Regardless of the relentless economic turbulences at foreign and domestic pharmaceutical market, Hemofarm A.D. has succeeded in retaining an admirable level of stability in terms of economic performance, which is clearly demonstrated through the key economic indicators. Despite continuous presence of economic crisis the increase in sales revenue has been held at the last year's level.



Simultaneously, Hemofarm realized a surge of its directly generated value of 8% in 2013 compared to 2012. It portrays Hemofarm's continuous economic development alongside the development of the community in which it operates.

Structure of traffic

Direct sales to the third parties
(in the country and abroad)
12,075,076 thousand RSD

Intercompany group sales
(Hemomont, Banja Luka, Romania
and Hemopharm GMBH) in the height
of 1,654,702 thousand RSD)

A total of 9,817,322 thousand RSD
revenues realized on the
intercompany Stada market

A grand total of 23,547,100
thousand RSD,
i.e. 208.3 million EUR

TOP 10 MANUFACTURERS IN SERBIA (UNITS) (TOTAL RX+OTC)		TOTAL MARKET (UNITS) 2012-2013	
		GROWTH 2013/2012	MS* 2013
TOTAL PHARMACEUTICAL MARKET IN SERBIA		1.7%	100%
1	HEMOFARM	2.7%	33.7%
2	GALENKA	-6.3%	10.8%
3	ACTAVIS	-2.3%	7.9%
4	ALKALOID	3.8%	6.3%
5	PHARMASWISS	-3.7%	6.1%
6	GLAXOSMITHKLINE	26.6%	2.5%
7	PFIZER	3.7%	2.5%
8	SANOFI	22.9%	2.4%
9	BAYER	3.7%	2.3%
10	KRKA	17.8%	2.2%

In 2013, 219 million packages of various Rx and OTC segment products have been distributed throughout the Serbian market. Hemofarm's share in this market represented 33.7%*.

Practically speaking, a third of all pharmaceutical products within Serbia belongs to Hemofarm pallet.

Hemofarm's share experienced a boost of less than 3% (2.7), whereas the entire market expanded nearly 2% (1.7), indicating an advanced growth rate with respect to the national market.

The overall value of Serbia's pharmaceutical industry in 2013 amounted to be EUR 639,5 million, indicating a nominal increase of 11.0% in comparison with 2012 data. Within this period, Hemofarm increased the value of its market presence by 9.1%.

Throughout 2013, Hemofarm preserved the position of market leader with a 17.5%** monetary value share in the entire market.

TOP 10 MANUFACTURERS IN SERBIA (EUR) (TOTAL RX+OTC)		TOTAL MARKET (EUR) 2012-2013	
		GROWTH 2013/2012	MS* 2013
TOTAL PHARMACEUTICAL MARKET IN SERBIA		11%	100%
1	HEMOFARM	9.1%	17.5%
2	PHARMASWISS	6.6%	8.6%
3	GALENKA	6.8%	6.4%
4	ACTAVIS	13.2%	6.1%
5	ROCHE	8%	4.8%
6	NOVO NORDISK	20.3%	4.5%
7	PFIZER	2.4%	4.5%
8	GLAXOSMITHKLINE	11.9%	3.6%
9	SANOFI	22.2%	3.5%
10	ALKALOID	20.9%	3.2%

* MS stands for Market Share

** Based on IMS Basis

The pharmaceutical industry in terms of Rx products is subject to pricing politics prescribed by the Ministry of Health as well as the Ministry of Commerce. As a result, the price of these products are determined and influenced by the RSD/EUR exchange rate, which in turn is influenced by the previously mentioned authorities.

The four primary pharmaco-therapeutic segments on the Serbian market (cardiovascular, nervous system, blood and blood making organs, alimentary tract and metabolism) form 70% of the entire market in terms of product sales, which reflects the epidemiological constitution of therapeutic indications.

PHARMACOGROUPS IN SERBIA (RX+OTC)	TOTAL UNITS 2012-2013			HEMOFARM TOTAL UNITS 2012-2013		
	GROWTH 2013/2012	MS* 2012	MS* 2013	GROWTH 2013/2012	HF SHARE IN ATC 2012	HF SHARE IN ATC 2013
TOTAL PHARMACEUTICAL MARKET IN SERBIA	1.7%	100%	100%	2.7%	33.4%	33.7%
1 C CARDIOVASCULAR SYSTEM	-1.4%	27.7%	26.8%	-1%	40.7%	40.9%
2 N NERVOUS SYSTEM	0.4%	21%	20.7%	-4.1%	33.5%	32%
3 B BLOOD & BLOOD FORMING ORGANS	8.2%	11.2%	11.9%	14.8%	45.3%	48%
4 A ALIMENTARY TRACT & METABOLISM	4.6%	11.1%	11.4%	4%	27.2%	27%
5 M MUSCULO-SCELETAL SYSTEM	3.5%	7.4%	7.6%	2.9%	28.7%	28.5%
6 J ANTI-INFECTIVES FOR SYST. USE	1.5%	7%	7%	10.4%	34.9%	38%
7 R RESPIRATORY SYSTEM	1%	6.2%	6.2%	7.6%	18.4%	19.6%
8 D DERMATOLOGICALS	2.8%	2.6%	2.6%	-6.7%	14.3%	13%
9 GG/ URINARY SYST AND SEX HORMONES	2.4%	2.3%	2.3%	8.7%	11%	11.7%
10 S SENSORY ORGANS	-4.9%	1.9%	1.8%	0.5%	27.5%	29%
11 H SYST HORM PREP EXCLUDING SEX HORMONES	7%	0.8%	0.9%	24.6%	11.5%	13.3%
12 L ANTINEOPLASTICS & IMMUNOMOD AG	11.3%	0.5%	0.6%	15%	0.2%	0.2%
13 PA /PARASITIC PRODUCTS INSEC&REPEL	-3.9%	0.2%	0.1%		0%	0%
14 V VARIOUS	10.5%	0.1%	0.1%	15%	0.2%	0%

The cardiovascular segment, as the leading segment in the total pharmaceutical market in Serbia, represents 26.8% of the market, a segment in which Hemofarm holds a considerable share of 40.9%.

Hemofarm sustains a substantial presence in 12 of 14 pharmaco-therapeutic segments. In terms of packages sold, Hemofarm was the leader in 8 segments (A, B, C, J, M, N, R, S), whereas it claimed the second position in the segments D and G.

Hemofarm is Serbia's biggest exporter of medicines and one of the seven biggest export companies in Serbia. In 2013 the total value of Hemofarm's exported goods was RSD 13,978,708.000. Being a holder of Licence No 001, according to the Agreement with Customs Administration, Hemofarm A.D. has ensured the possibility for easier product placement in international markets. Product placement is realized according to simplified procedures, with maximum rationalization of all necessary resources, which brings to excellent business results. One should point out the following advantages that enable easier export for our company: Central European Free Trade Association (CEFTA) and Free Trade Agreement with the Russian Federation.

Throughout 2013, Hemofarm successfully reinforced its market positions across foreign markets, also establishing a strong presence in new markets. Using powerful marketing activities, as well as innovative logistic operations along the supply chain, Hemofarm has made considerable steps forward in terms of market presence in markets such as Albania, Bosnia & Herzegovina, Bulgaria, Algeria, Croatia and Libya. In these markets, alongside numerous other markets, Hemofarm took part in enhancement and development of the pharmaceutical infrastructure, doing business in accordance with local legislations and in unison with respective responsible institutions.

Due to the constant economic growth and development, quality pharmaceutical products are easily accessible not only for the consumers, but for all who are interested and who recognize Hemofarm as a reliable company.

* MS stands for Market Share



*Motivated and professional staff
as one of the company's advantages*

RESEARCH AND DEVELOPMENT

In 2013, we obtained 158 new registration permits for product placement on 11 markets, and the biggest number of registrations was carried out in Montenegro, Serbia, Bosnia Herzegovina, Macedonia and Albania. Another 99 new products are already in the registration process, which began in 2013.

We conducted the registration of 4 new projects from our own development in the EU: Moxifloxacin film-tablets (5 EU markets), Moxifloxacin infusions (9 EU markets), Linezolid film tablets (6 EU markets) and Esomeprazole injections (6 EU markets). These products are expected to be launched on the market in 2014 and 2015.

The focus of development and registration-related activities is thus on cardiology, CNS, anti-infective, and oncology products. One of the set goals is also to work on the development of innovative generic medicines i.e. value-added medicines. By virtue of dedicated experts with vast experience, a new pharmaceutical "one-fits-all" form has been developed. As a unique solution in the market, this new pharmaceutical form "one-fits-all" can be applied into two different ways; as a conventional or orodispersible tablet. Another product of this kind, Rizatripan, has been launched in EU in 2013. A new medicine, Sildenafil, in form of film tablets with different amount of active substance 25 mg / 50 mg / 100 mg has been placed on the markets of 14 EU countries. In Germany, this product represents one of the first generic versions of Viagra, and STADA is the only manufacturer of Sildenafil 100 mg in the form that enables the patient to divide Sildenafil film tablets.

Learning about new technologies and their practical application in the laboratory in terms of formula development and process, and afterward the transfer and optimization on pilot equipment are guarantee for the continuation of a proactive strategy for the development of generic value-added products.

Files for 153 products on 10 markets have been prepared and submitted for an extension of registration in 2013.

OPERATIVE EXCELLENCE

Hemofarm will continue the implementation of operative excellence programs in 2013, through work on projects for the improvement of production processes as well as in other business areas. A number of various workshops will be carried out, and their goal is to introduce the principles of the Lean¹ and Six Sigma² methodologies and to assign individual roles in their implementation to the management and all employees in the targeted infrastructure of continuous improvement. In order to support the achievement of specific goals when it comes to increasing efficiency of existing procedures, techniques described in Lean and Six Sigma theory are used, and they lead to practical improvements through convenient approaches to time management analysis (Six Sigma) and identification and elimination of losses in different forms (Lean). Aside from acquired theoretical knowledge and skills adopted through practical exercises and work on concrete problems, one of the key success factors and positive results is the dedication and engagement of all employees who are participating in improvement projects as leaders and team members.

Through a robust program of continuous improvement, which is promoted by Hemofarm, all employees are offered to participate at various levels of certification in order to provide their active participation and contribution through different procedural improvement ideas in which they take part every day.

Some of the more significant results of implementation of the Lean and Six Sigma projects of improvement in Hemofarm's production in Vršac during 2013 are:

- **By optimizing the process** of tablet pressing for three out of ten "top" products at the Solid Dosage Form plant, the production capacity has been increased for approximately 84 million tablets, i.e. 52 charges of these products annually;
- **30% increase of production capacity** for effervescent forms by accelerating the tablet pressing process by 10%, and by optimizing the cleaning time when transferring from one product to the other from eight hours to five hours (around 35% shorter planned downtime);
- **40% faster packaging process** in Solid Dosage Form plant for 14 products (volume of production around 1,5 million packaging units annually) thanks to the change in the size of packaging and up to 40% save in packaging material by introducing the changes into the concept of transport packaging – 67% greater use of pallets, and significantly lower cost of storage and transport of these products, intended for EU markets;
- **Sterile products plant** – by optimizing the cycle of equipment sterilization process, we increased production capacity at the Lyophilisate department by 20%;
- **Introducing the mobile racking system** at the packaging materials storage increased this storage's capacity from 2490 to 4424 pallets, i.e. by around 78%, only in the first stage of the project, that was carried out in 2013;
- **Projects for the optimization of energy consumption** – by reducing the capacity of the line for production of treated water in accordance with current needs of the sterile products plant, losses were diminished and consumption of city water was reduced at the entrance to the plant by 7%, while usage percentage of warm waste water from steam boilers as an energy source for preparation of sanitary warm water in the Sterile Products plant led to lower use of technical steam by approximately 10 tons on a monthly basis.

¹ Lean is a process improvement method that represents a systematic approach to identification and elimination of losses (activities that do not add value) through continuous improvement, by transforming them into activities that add value. This concept was created in Toyota in 1950's and it represents a "common-sense" practical approach to problem solving, primarily in terms of identification and elimination of losses in some procedure.

² Six Sigma is a business management strategy that helps the companies to cut costs and improve the result of their procedures by removing defects (mistakes). This concept was created in Motorola in 1980's. It improves procedures by using data, appropriate tools for analysis and removal of root causes of problems, including statistical methods. It's focused on lowering variations in procedures to the lowest possible measure, on satisfying users' demands and achievement of excellence in production, and in all other business segments. It connects the users and improvement of procedures with financial effects.



Milan Zavišić and Nikola Stojanow

PROCUREMENT

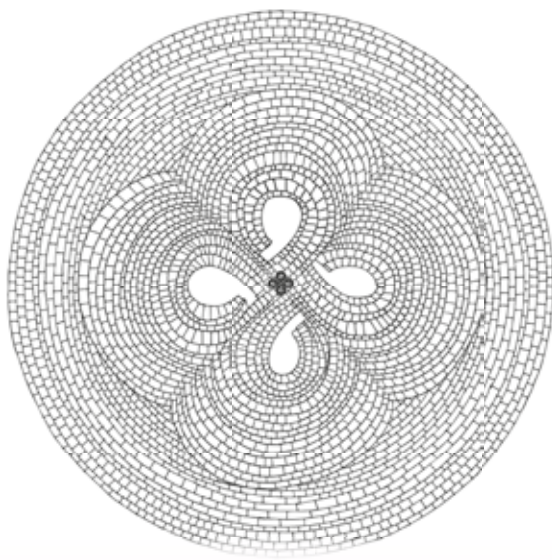
Transparency of business relationships with suppliers is secured by centralizing the procurement process.

Such approach enables also the greatest possible rationalization of procurement procedures. Announcement of tenders is mandatory for each procurement procedure, and the Procurement sector takes care of tenders and procurements. The company has defined procedures and mechanisms for approval of new and monitoring of current suppliers. Every delivered batch of raw materials, packaging materials and other products and services which are the object of procurement are controlled at admission as well as their accompanying documentation. Multi-member commissions decide on the outcome of the tender, which additionally diminishes the possibility of abuse.

General conditions and stipulations of doing business are posted on the official corporate website, and therefore are available to all stakeholders. There were no objections on the grounds of this matter in 2013.

Total value of procurements in 2013 was almost € 100 million, and around 20 % of this refers to procurement from the domestic market.

Group of materials	% share in domestic market
Raw materials	0.54
Packaging	54.64
Bulk i GP	12.08
Other	83.82
TOTAL	19.11



The biggest share in procurement value is reserved for raw materials (around 64%), while the share of packaging is around 19%. From the total amount, approximately one third refers to the leading “Top 10” suppliers.

INTRODUCTION OF NEW PRODUCERS OF PRIMARY MATERIALS

The introduction of new producers of primary materials is regulated by corresponding Hemofarm’s operative procedure, and the motives are:

- Securing the continuity of procurement (eliminating the risk of dependency that comes with only one approved source / 2+1 supplier and/or manufacturer for every type of material)
- Commercial and technical aspects of procurement of materials (savings, etc.)
- Harmonization of material specification on corporate level of STADA Group

The approval of alternative producers is conducted according to a harmonized and approved plan which is set up annually and is defined by members of SMMT Hemofarm (Starting Material Management Team), undergoing a revision on a monthly level.

The plan is made, approved and carried out according to lists of defined priorities (transfers, harmonization of specifications, starting materials for the needs of arranged production, single-source materials and materials with high share in product’s price).

The introduction of a new producer takes place in four stages:

1. Project definition
2. Qualification of alternative producer and CCP initiation (Change Control Procedure)
3. Technological tests and stability study
4. Registry of alternative source, where applicable³.

It is planned that in 2014 Hemofarm commence control, as well as revision, of its suppliers in accordance to the principles of BSCI code, thus providing necessary quality of operations and fair relations in a wider social context.

³ Data source: Procurement in 2013 – Monthly and Annual reports of Procurement Sector; Procurement in quantities – Information from Information System, SAP; Introduction of new producers – Hemofarm’s operative procedure



PROCUREMENT IN ACCORDANCE WITH THE PRINCIPLES OF SOCIAL RESPONSIBILITY AND USE OF RECYCLED STARTING MATERIALS

Defined and implemented Lean Six Sigma programmes for production improvement of STADA Group globally, have framed the projects of Six Sigma leaders in procurement procedure.

Initiated and completed projects develop the clear concept of a sustainable and socially responsible procurement, which, aside from maximization of the cost – benefit correlation, actively improves the positive performances of CSR operations by establishing a triple bottom line:

- Environmental protection
- Economic
- Social aspects.

The first example is the finished “Introducing basic boxes made from recycled cardboard” project. All stages of this project, until the beginning of realization of documents change in quality system, were carried out through the use of appropriate technologies and tools for analysis of different aspects of the change mentioned, in the environment of the pharmaceutical industry:

- Regulatory requests
- Evaluation of cardboard packaging suppliers
- Influence on performances of procedures in production and other additional functions with positive synergy effects on the global level within STADA Group.

Basic boxes made from recycled cardboard (GD2) have identical performances as boxes made from non-recycled cardboard (GC2), which has been confirmed by conducted technological tests. Performance testing was conducted mainly for the purpose of the Solid Dosage Form Plant, where the volume of production and packaging is currently the biggest in the region of South Eastern Europe. A conclusion was made that additional investments in the packaging procedure are not needed for the implementation of the change mentioned, and the transfer to boxes made from recycled cardboard has no negative effects on the performance of production procedures, or on the quality of finished products in total.

The production of recycled cardboard requires one third less energy, two thirds less water and has around 70% lower harmful emission compared to the production of non-recycled cardboard.

The production of basic boxes for Hemofarm’s needs requires an annual consumption of non-recycled cardboard in amount between 2 and 2,5 thousand tonnes, and after the project is completed, more than 80% of this quantity will be boxes made of recycled cardboard. In 2013, the company procured 583,400 boxes made of GD2 cardboard, which is only 0.36% of the total number of procured basic boxes in 2013 up until now (only December 2013), but the full effect of achieved results in this project is expected in 2014.

The significance of this effect in light of CSR activities is mostly reflected in the fact that, by doing this, Hemofarm saves more than 27,000 trees annually, or 17 trees per ton of non-recycled cardboard (US EPA) which will be replaced in the future with the environment-friendly version, GD2. Since the recycled cardboard has a lower price, savings in cost are significant.



Aside from the introduction of basic boxes made from recycled cardboard in use, we have already started or initiated additional projects in 2013, as part of an overall sustainable development project in the procurement process, also pertaining to the sustainable development strategy on corporate level. These projects include the substitution of aluminium tubes with laminated tubes, the introduction of new CRS caps and the introduction of cardboard pallets and paper tapes.

Sustainable and socially responsible procurement



The Procurement Sector's Projects

- 1 The introduction of basic boxes made of recycled cardboard
Recycled materials protect the forests, so, in that way, Hemofarm saves 27,000 trees annually
- 2 Substitution of alu-tubes with laminated tubes
Domestic supplier + 10% of financial savings
- 3 New CRC caps
15% less amount of plastic
- 4 Cardboard pallets and paper tapes
(effect should be visible in 2014)

Even though raw materials, which are almost entirely imported due to the special nature of industry, have the biggest share in value of procurements (around 64%), almost 20% of total value of procurement in 2013, referred to procurement from domestic market.



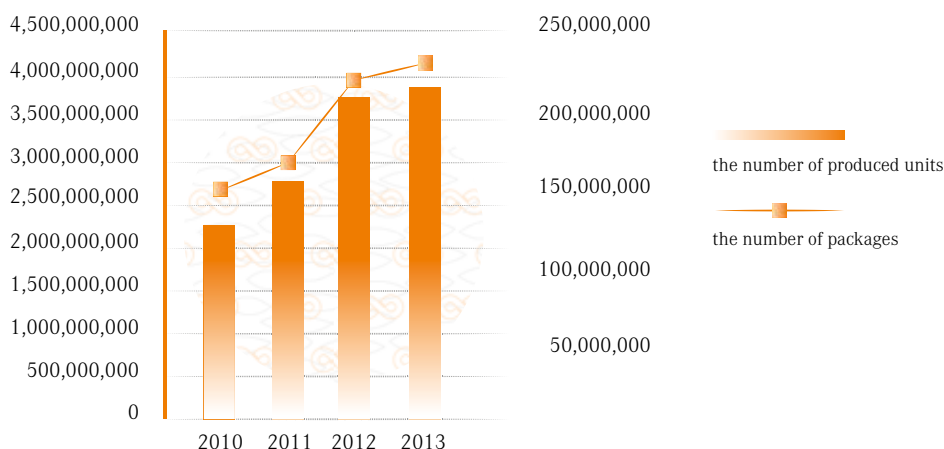


Technological superiority and high pharmaceutical standards

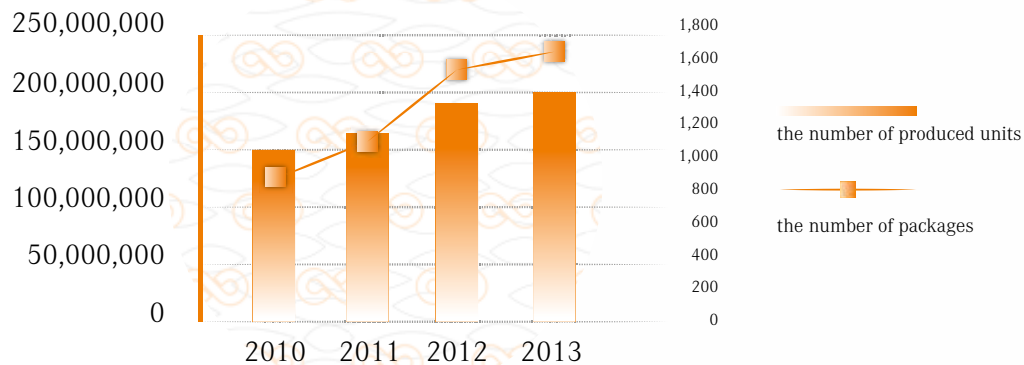
PRODUCTION

With more than 3.8 billion produced units in 2013 (3,850,729,301), production recorded a growth of 4.1% compared to the previous year. All production lines in the country and abroad contributed to this result. Hemofarm's production lines are increasingly producing more and more for very demanding European markets, and on the STADA Group level, they represent the biggest producer and the backbone of further development. Out of the total number of produced units in 2013, 3,4 billion or 89.5 % are solid dosage forms – tablets, film tablets and capsules (Vršac, Banja Luka and Šabac).

Technological superiority and high pharmaceutical standards



Volume growth in the number of packages and the increase in complexity (the number of different products)



Each year Hemofarm launches new products and doing so it constantly improves the portfolio in order to successfully attend all our patients' needs. Production is focused to the most-significant pharmacotherapeutic groups, including products for cardiovascular diseases, antibiotics, ophthalmologic, urologic and neuro-psychiatric medications; however recently, focus has more and more been put on developing oncology medicines. In 2013, Hemofarm launched new Rx and OTC products, which became recognizable in leading pharmacotherapeutic groups in a short period of time.

Adherence to local legislation obliges domestic pharmaceutical producers to mark each medicine box with Braille signs. This primarily refers to Rx and OTC products, which Hemofarm started to mark in this way in 2004, even before it became legally binding, and has been doing ever since. As a CSR company, Hemofarm took one step further – Braille signs are placed on the packaging of our diet supplements, like Vitamin C 900mg, Polivit B and others.

According to IMS⁴ records, leading Rx products on the Serbian market, observed according to INN, in Hemofarm's offer are: bromazepam, enalapril, saline, metoprolol, diclofenac, ceftriaxon.

⁴IMS is International external base that offers analytic records from the domain of global pharmaceutical industry. The base can be accessed based on lease of accession license, which enables monitoring of trends in trade with pharmaceutical products on a specific market. The base can be accessed via website <http://www.imshealth.com> or by special software installation.

⁵INN is an official non-proprietary or generic name given to a pharmaceutical drug, as designated by the World Health Organization (WHO)

There are several OTC (over-the-counter) products which hold a leading position in Serbian pharmaceutical market, with a 10% market share, according to IMS⁶ 2013 records. These products include: Hepathrombin, Pressing, Nafazol, Povidon Iodine, Panlax, Ranitidin, Febricet, Hemodrops and Gelusil-Lac.

Production	2012	2013
Number of product units (in bln)	3,70	3,85
Number of packaging units (in mln)	193,8	200,2
Number of different products	1,635	1,714

In 2013, the company registered not only further growth in volume of production, but also in production complexity – 1,714 different products were made, which is 79 products more than in 2012.

SCORE – reorganization and optimization of the chain of supply

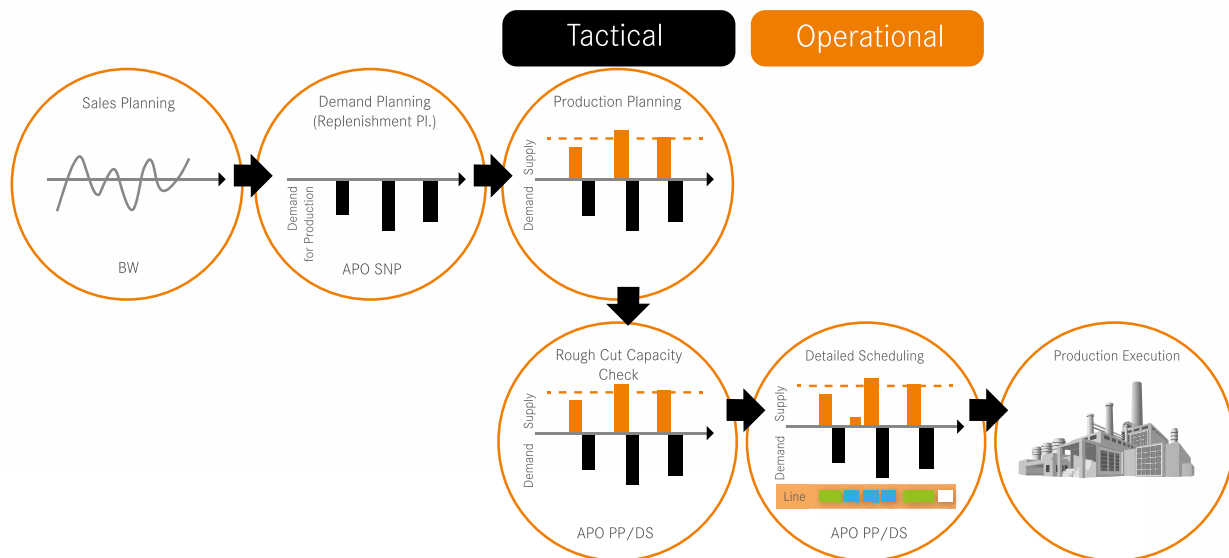
During 2013, within the SCORE project, an intensive one-year induction phase unleashed the APO (Advance Planning and Optimization) planning system – the system for planning of necessities and production planning. Namely, this is an SAP tool that is used to plan and optimize procedures in the supply chain, by including all relevant and tightly dependant functions.

The project introduced central planning of necessities for local and global products, which are made and/or packed in Hemofarm's plants.

Benefits of this planning method are its transparency, timeliness and good connection of all the “links” in the supply chain, with control of quality and availability of all the demanded materials.

⁶ IMS-IMS is International external base that offers analytic records from the domain of global pharmaceutical industry. The base can be accessed based on lease of accession license, which enables monitoring of trends in trade with pharmaceutical products on a specific market. The base can be accessed via website <http://www.imshealth.com> or by special software installation.

The diagram shown below illustrates the project's functions as well as the mutual connections of sales, demand and production plans.



Such organization of production planning results in better insight in availability of each individual resources at any production location within Hemofarm's production, which enables more precise planning, but also provides an opportunity to recognize potential "bottlenecks" on time. In this way, it is possible to additionally perform reorganization and use free capacities on other appropriate production locations, or, if needed, to timely predict the needs for new potential investments.

During the necessities planning one should perceive whether the planned amount for production is optimal for sale affiliation in terms of quantity, and in terms of time - when the final product will be available on the market, and all this in order to secure undisturbed sales, which is the goal of the entire planning process in the chain of supply.



STORAGE AND TRANSPORT

The automated high-bay warehouse in Vršac with 15,840 pallet places represent one of the most modern facilities of this purpose in the Balkans. In the proximity of that object stands the solutions storage with a capacity of 4,200 pallet places, connected to the high-bay warehouse.

In order to improve and modernize existing storage capacities in 2013, we completely modernized the storage of packaging materials by introducing the mobile racks system. This increased the existing capacity by 99% and currently amounts to current 7,300 pallet places.

Access to the specially sealed areas where hazardous materials are stored, and handling the supplies of narcotics whose use in production is a specific feature of the modern-day pharmaceutical industry, is possible only with a code known only to a small number of authorized personnel. The company didn't register any cases of unauthorised handling of narcotics in 2013.

Aside from storing production materials, Hemofarm also takes care of adequate storing of ancillary supplies needed for its operations (spare parts, consumables, advertisement material, etc.). As a consequence, complete reconstruction and modernization of storage areas has been conducted in 2013.

In order to provide a high-quality delivery of products to the network of wholesale pharmacies, state and private pharmacies with respect of GDP⁷ requests, Hemofarm has in 2013 expanded and improved its network of transporters. Cooperation with several high-quality delivery companies enables a more efficient response to buyers' requests, and it ensures that the provided service is of high quality level.

In 2013, there were no incidents in the storage of flammable materials, or the cases of spills of hazardous materials.

⁷ Good Distribution Practice is the key component for insurance of quality; a request that the company establishes a system of quality in a way that products are consistently processed and stored in accordance to the strictest demands from the regulator, and thus provide quality of storing, transport and distribution.



*Quality management and certification as
conformation of quality*

QUALITY CONTROL

The production and placement of efficient, safe and affordable medications is Hemofarm's main mission, and quality control is essential to fulfilling this mission. All procedures in the system of quality securing and quality control are in conformity with the strict requirements provided by the Good Manufacturing Practice (EU GMP⁸) guidelines, pharmacopoeia regulations, national, European (EP), American (USP), British (BP) and other relevant pharmacopoeias and international standards.

Laboratories (Chemical, Microbiological and laboratory for control of quality of packaging material) are equipped with the most contemporary equipment for testing raw materials, packaging and finished products (sterile and non-sterile) according to EP, USP, BP regulations and according to the standards of ICH⁹ regulation and EU GMP.

During 2013 the NOVA EM software for environmental monitoring (software that tracks the environment quality in the production process) has been implemented in all aseptic production lines.

The use of this software has potentiated the timely analysis of monitored results as well as the management in accordance with the obtained results, all in purpose of better environment quality control in production. This software, also, enabled that all the appropriate and necessary measures are promptly taken.

⁸ GMP - Good Manufacturing Practice - production and testing to ensure appropriate product quality

⁹ ICH (International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use) - International organization for harmonization of technical conditions for registration of medicines for human use

Employees in Hemofarm's Quality Assurance Division, although in possession of the needed knowledge and experience, are constantly working on their further improvement so they can adequately answer to the requests that are made. Continuous improvement of working procedures is obligatory for all employees, in accordance with EU GMP guidelines, pharmacopeia regulations and standards of ICH regulation.

By establishing, implementing, documenting and maintaining the system of quality control in accordance to the standards of ISO 9001:2008 Hemofarm accepts the obligation to satisfy the needs of its users, through development and production that has been harmonized with the highest, globally recognized standards that refer to products of pharmaceutical industry. Hemofarm upholds the highest quality standards, legal stipulations and guidelines that refer to production and trade with medicines and medicinal assets, and production of plastic pharmaceutical packaging, by respecting the principles of Good Manufacturing Practice.

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

With this in regard, we respect and conduct all legal demands of the Republic of Serbia as well as all other international regulations and guidelines that regulate the sector of development, registration, production and trade with medicines and medicinal assets, and requests and stipulations of all contracts with domestic and foreign partners. Also, by maintaining and constantly improving the quality management system, we are fulfilling legal obligations, users' requests, requests of owners, employees, contracting partners and society in general.

Qualification, expansion of expert knowledge, improvement of practical experience and specialization of all employees are observed in Hemofarm as important factors to our success. We question and check the system of quality with constant improvement of efficiency of the quality management system.

Thus Hemofarm creates a prestigious product, which is strongly recognizable in comparison to the competition products, and the real measure of our success is the evaluation that the user gives us through the use of our products. We have a systematic approach to process management, with application of the risk analysis principle, and we conduct all changes in controlled conditions.

We permanently conduct prevention, identification, research and reporting about inconsistencies and we take measures to remove all causes that might jeopardize safety, security and quality of our products. We recognize and prevent the possible dissatisfaction of our users, and we react urgently and efficiently to every complaint or misunderstanding. We maximally use new technologies, material and human resources, information, and automatic systems.

Complying with requests of Good Manufacturing Practice and ISO 9001:2008 and ISO 14001:2004 standards has been confirmed in Inspection supervision reports in 2013. List of certificates that Hemofarm owns has been amended compared to 2012:

- German Inspectorate for Medicinal Products of Darmstadt Region – Production of Solid Dosage Forms, Injection Solutions and production of Lyophilized products
- 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
- State Administration of Ukraine for medicinal products – production of infusion solutions and production of grease

¹⁰ ISO – International Organization for Standardization.



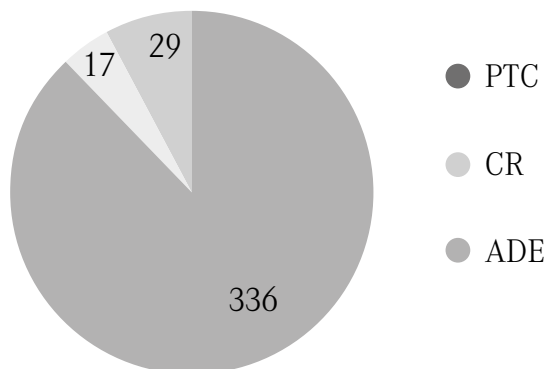
COMPLAINTS

Managing complaints about products is a business aspect of essential importance for the continuous improvement of production procedures and quality control in the company. Hemofarm has determined detailed and accurate procedures ensuring management of complaints about products.

Complaints usually arrive directly – by phone, by mail or e-mail, via Marketing and Sales Service, pharmacies and doctors. Buyers' objections and complaints can be reported also via e-mail address zanasekupce@hemofarm.com, which can be found on Hemofarm's official website. All information gathered this way is extremely important for the improvement of production, testing and quality systems, and for customer satisfaction polls.

Hemofarm catalogues every complaint in separate complaint registry books, after which an investigation is carried out. The thorough investigation is set about the process of production, testing and if needed, storage of products and the findings of such investigation make the basis for answers and in case it's needed, they are the initiator of activities introduced to remove the cause of the complaint. Since Hemofarm operates in accordance with GMP certificate, we are obliged to report all side effects and complaints about the production and technical features to ALIMS. This information is retrievable from the ALIMS official website.

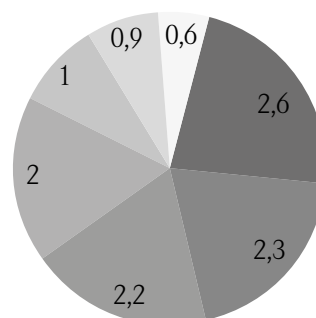
In the period from January 1st, 2013 until December 31st, 2013 we registered a total of 382 complaints for products that were produced in Hemofarm AD production lines. From this number, 336 were production and test complaints (PTR)¹¹, 17 were commercial complaints (CR)¹² and 29 were complaints tied to side effects of a medicine (ADE)¹³.



The biggest number of all received complaints was registered for products from the Solid Dosage Forms plant in Vršac and Hemofarm d.o.o. Šabac (Solid Dosage Forms line and Semi-Solid and Liquid Dosage Forms line), which is expected since production in these 3 lines represents more than half of total production in Hemofarm.

Number of complaints per million of produced packaging units:

- Hemofarm d.o.o. Šabac
- Hemofarm A.D. Vršac
- Hemomont d.o.o.
- Antibiotics production line
- Production line for injectable products, Hemofarm A.D. Vršac
- Hemofarm d.o.o. Banja Luka
- Production line for sterile products, Hemofarm A.D. Vršac



The quality control sector prepares an official answer for every received complaint. Every complaint is listed under a special number and contains information like product name and series, name of the applicant, description of complaint and report on investigation. All answers to complaints are carefully analysed and based on investigation results which comprise the investigation of the process of production, packaging, testing or handling of products. Based on the data obtained from the inquiry measures are suggested about how to improve the process.

In order to prevent complaints, appropriate improvements are stipulated in Hemofarm, and we are continuously working on how to make the investigation procedure more efficient as well.

Even though in 2013 we had more complaints, they mostly relate to packaging and labelling, and not to functionality and quality of the products, which can be resolved with the continuous process of defining and implementation of corrective and preventive measures.

¹¹ Objections about packaging and labelling, damage of product, irregularities on the product, lack of some packaging elements etc.

¹² Objections to delay in delivery to the user, delivery of inadequate quantity of product, inadequate relation of deliverer to the buyer or contracting partner, etc.

¹³ Objections that are connected with the elements of drug side effects, suspicion of side effects, elements (information) about: interaction of drugs, exposure to drugs during pregnancy or breastfeeding, absence of drug's therapeutic effect, suspicion in drug's quality, overdose, medical error, abuse of medicine, off-label use, side effects caused by exposure to drug at work place, etc.



Internet corner for employees and visitors

MARKETING, SALES AND PRODUCT ADVERTISING

Hemofarm's Marketing and Sales Sector is regulated by internal rules which are respected by all employees on the level of STADA Group, as well as legal and ethical rules that regulate the sale of pharmaceutical products. At Hemofarm all are aware that responsible marketing has to rest on principles of sustainability; especially due to inherent risk of the sector we do business in, where irregular and uncontrolled use of pharmaceutical products can be life-threatening. Precisely because of this, production and marketing are the areas we approach with special care, with total respect of all relevant laws when advertising our products.

Regular and undisturbed market supply is one of priorities of Marketing and Sales Sector.

As a leading generic company in Serbia, it is incumbent upon us to raise standards and spearhead positive changes within the pharmaceutical industry and the society in general. For example, during 2013, we dedicated special attention to rational use of medicines among pregnant women and the ones who breastfeed. As a socially responsible company, Hemofarm supported publishing Professor Dr Aleksandra Mikić – Novakov's book titled "Application of Medicines during Pregnancy and Lactation", with multiple benefits for expert and for general public:

- Reassurance
- Recognisability
- Safety for consumers
- Support to project enabled publishing of bigger circulation, which gave general public a chance to be introduced to the topic
- We facilitated practitioners' approach to modern interpretations that are in accordance to leading therapeutic knowledge when it comes to application of medicines during pregnancy and lactation.

Hemofarm's products are present on the market as over-the-counter (OTC) products, but they are also present on the market of prescription drugs (Rx). Hemofarm is supplying the market with its products through a network of wholesale pharmacies, state and privately owned pharmacies.

In order for Hemofarm to present all the advantages that come from use of its products compared to the competition products, expert lectures were organized for doctors and pharmacists. The organization of these lectures is regulated by strict internal rules of the company and of STADA Group, as well as a number of legislations. The goal of these rules is to make sure that only care for patient's welfare affects the decision on prescription of medicine and proposed therapy.

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, sample distribution, 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 a separate document: "The Rulebook on Advertising".

This Rulebook regulates advertising in the public sphere, ensuring that Hemofarm's activities are in accordance with the law and standards of ethical conduct.

The area of medicines advertising is also controlled by strict Serbian regulations which prescribe which types of medicines can be advertised, to whom they can be advertised, and in which way. The Legal Affairs Division reacts proactively during defining relations with 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 2013, Hemofarm operated in accordance with all relevant regulations and was not fined for non-observance of the rules related to advertising of products.



PRODUCT PACKAGING

REPOSITIONING OF OTC PACKAGING

Our focus and main motive in Hemofarm remains consumers' satisfaction and following the trends so we could always be ready to answer quickly to market demands.

In Serbia, the laws for medicine packaging, labelling and advertising are legislated through ALIMIS – Agency for medicine and all related tools, which grants or denies approval for every packaging and its design individually.

By keeping up with market needs, global trends and strategy of STADA Group, Hemofarm's Marketing and sales sector set a very ambitious task before them - to redesign and reposition the packaging of OTC products. By focusing on consumers' needs, we had to recognize and satisfy the need for the best possible packaging of OTC products. On the other hand, refreshed, modern and attractive package designs represent yet another step towards strengthening of Hemofarm's OTC production programme. One of the motives for the packaging redesign was to increase consumers' safety when using the products, because a unique and recognizable design of an individual product reduces the possibility of mistaking it for another brand to a bare minimum.

Instead of the existing OTC line, with a uniformed packaging design, where products resembled each other, the approach has been completely changed and the products were presented in new clothes as Hemofarm's special OTC brands. In July 2013, the first product with new packaging was launched on the market – Hepathrombin crème and gel. Initial comments from the market, expert and general public, were very positive and encouraging.

This way we satisfied the demands of both the market and expert public (pharmacists). New packaging solutions are no longer white and the same as boxes of prescribed drugs. They are very attractive and come with a wide array of colours, in a modern yet subtle colour selection. Pharmacists can now find the specific product on the shelf faster and they can serve the patient faster, because they have a visual identification with the new box. On the other hand, it's easier for the patients and users of our products to find precisely the product they need, quickly recognizing Hemofarm's traditional quality.

The following OTC products have successively appeared in redesigned packaging: Febricet syrup and tablets, Febricet C (analgo-antipiretics), Gelusil Lac (antacid), Ranitidin 75 (H2 blocker), Midol 100 (thrombocyte aggregation inhibitor), Midol 300 (analgo-antipiretic), Caffebol (strong analgesic), Ibuprofen 400 (analgesic NSAIL), Hepathrombin H ointment and suppositories (thrombophlebitic and antihæmorrhoidal agent).

Aside from the redesign of OTC packaging units, as a pilot project in its Rx portfolio, and in cooperation with specialized organization of GS1, Hemofarm carried out the placement of two data matrices (QR codes) to the box of its medicine. Namely, this is the most contemporary system for monitoring products through a distribution system, especially on cardiology products such as Simvastatine. This form of product monitoring through its life cycle increases safety to a higher level, and in case of any unpredicted circumstances it enables more precise location of individual product from a certain series. Data matrix marking represents a new global standard, which will soon be mandatory in our country as well. Hemofarm will be ready for its full implementation, with necessary practical experience and knowledge in the field, after a successful implementation of this pilot project.



EXPERT PUBLIC OPINION AND SATISFACTION OF PRODUCT USERS

Through the continuous use of CRM (Customer relationship management) system, Hemofarm improves the communication with the most important representatives of expert public opinion – doctors and pharmacists. This practical business tool enables feedback communication regarding the trade of medicines, based on information from wholesale pharmacies.

The CRM system contains a general data base from Hemofarm's market in the form of monitoring and analysis of a set of business operations, such as marketing activities, frequency of visits of medical representatives to doctors and pharmacist as well as cost management.

The relation of the company, on one side, and expert public opinion (doctors and pharmacists) on the other, has been legally regulated by the Rulebook on the manner of drug advertising (Official Gazette of Republic of Serbia, no. 79/2010) alongside Hemofarm's internal document titled "Guidelines for work with doctors and pharmacists". Guidelines stipulate the rules of conduct and methods through which doctors and pharmacists can be presented with advantages of Hemofarm's products in comparison to the products of competition.

These guidelines were fully respected and applied during 2013 and during this period there were no registered cases of their violation. The continuous analysis of appropriateness and applicability of guidelines was applied in 2013 resulting with minor operational and technical corrections of recommendations. Monitoring of guidelines is conducted by the Internal Audit Sector. This sector has a regular annual plan which defines the number of audits during the year, with additional control activities which are also conducted.

Hemofarm conducts anonymous surveys and studies that serve in planning and conducting marketing activities, in accordance with the rules prescribed by the Law on Personal Data Protection. The Legal sector and STADA IT Solutions d.o.o. take care of protection and storage of this data from unauthorized access and use.

The process and rules for keeping and using data collected in scientific or marketing purposes are additionally regulated by internal rules. For each individual entry, previous consent and approval of all the participants in a survey or research was provided.

Hemofarm annually organizes a survey by which we examine clients' satisfaction with our products. In the client satisfaction survey in November 2013 a total of 235 doctors from four regions of the Republic of Serbia took part: Belgrade, Novi Sad, Kragujevac and Niš. The doctors attended continuous medical training. One group took part in the training on inhaled corticosteroids (mostly paediatricians and doctors working in outpatient clinics) while the second group attended the training on urinary infections. The survey included several segments – respondents were asked to rate: the quality of presentation and communication, quality of Hemofarm's portfolio, the optimal duration of a professional associate's visit, the best time to visit a doctor (compared to the doctor's work hours). They were also asked to rate the recognisability/positioning of some of the pharmaceutical companies.

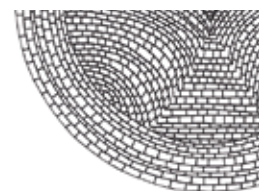
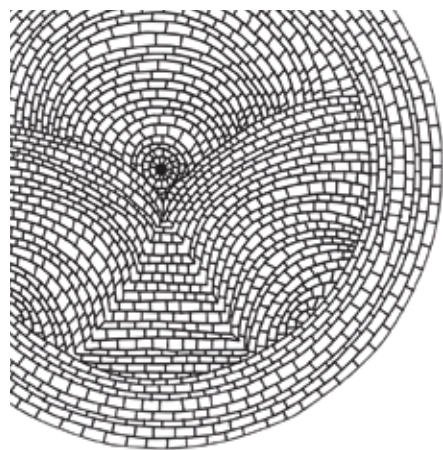
Results of the survey confirmed high expertise, competence and professionalism not only for the company itself but for its medical representatives as well.

They also provided guidelines for the further rationalization and more efficient concept of business communication with all professional stakeholders. This survey enabled all the potentials for improvement of cooperation with expert public opinion to be considered.

- When advertising its products, Hemofarm adheres to principles and the demands of international codes of conduct as well as to the rules of STADA Group.
- Our focus and main motive remains consumers' satisfaction and keeping up with trends so that Hemofarm can always be prepared to respond quickly to market demands.

CORPORATE PHILANTHROPY

Care 



Total investment of RSD 85,000,000 in development of the community in 2013



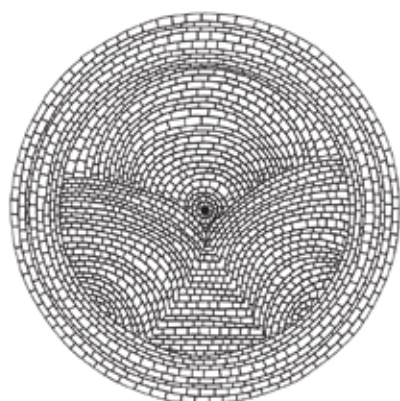
Improvement of the family institution and promotion of positive parental practices in every home as essential goals of the strategic partnership with UNICEF



In support of primary health prevention and early diagnosis of cervical and breast cancer in women in Serbia, Hemofarm donated more than RSD 15,000,000 to health institutions, which is 4 times the amount donated in 2012



More than RSD 22,000,000 granted through scholarships for support and development of young and promising talents





HEMOFARM FOUNDATION AND CONTRIBUTION TO THE ENVIRONMENT

Ever since the Hemofarm Foundation was founded in Vršac in 1993, Hemofarm has been trying to contribute to a better life for consumers and to enable better conditions for the entire community. The Hemofarm Foundation is a separate legal entity and a non-profit organization focused on providing support to those who have the biggest intellectual potential. It organizes charity activities, takes part in the development of local and broader community, in promotion and preservation of culture and cultural heritage of Serbia, as well as in improving and developing health care, education and environmental protection.

The support given over many years to educational institutions has been recognized as one of the Foundation's priorities, as education is one of the focuses supported by STADA Group. In 2013, the Hemofarm Foundation invested over 85M RSD for the realization of many such projects in different areas across Serbia.

The development and progress of the local community are achieved in partnership with the community and through direct investments in certain projects of general social interest. Support of the foundation is also reflected by investing in local infrastructure, donating to charity associations and activities, preserving religious and cultural tradition and care about safety of citizens and environmental protection.

SUPPORTING CULTURE

The Hemofarm Foundation continued to support different cultural events in 2013 by investing over 18 million RSD in 67 activities, thus increasing the quality and wealth of the cultural life across the country. The Hemofarm Foundation has been awarding traditionally, for 19th year in a row, the prestigious "Vasko Popa" literary award, for the best poem collection in Serbia. It also helped the realization of events with long tradition, such as the international folklore festival "Vršački venac" and the theatre festival "Vršačka pozorišna jesen".



In 2013, the Hemofarm Foundation supported the iconic event “Zmajeva dečije igre” in Novi Sad, just like it has been doing during the previous years, Republic Festival of children and youth choirs “FEDEHO”, comic book exhibition of young artists “My, your, our world”. The Foundation has also helped the Museum of Contemporary Art in Novi Sad, the movies “Equal” and “Shakespeare in Kremlin”, Banjaluka Philharmonic, “Dositej Obradović” Endowment, Serbinale – Festival of Serbian art in Berlin, Montenegrin National Theatre, as well as religious communities (Serbian Orthodox, Russian Orthodox, Roman Catholic, Romanian). It has also supported important cultural institutions, including the City Library of Vršac and the Vršac City Museum. One of the most important joint cooperatives that the Hemofarm Foundation started in 2012 and continued in 2013 is the partnership with the Belgrade Philharmonic Foundation, with the aim of supporting further development of the most successful cultural institution in Serbia. Improvement and development of culture is a significant part of the strategic orientation of the foundation, and its long-term cooperation with the Belgrade Philharmonic is one of the most important steps towards achieving that goal.

HEALTH CARE

The Hemofarm Foundation has constantly been helping health institutions and different citizens’ associations ever since it was founded, including the Muscular dystrophy association, Association of cardiologists of Serbia, Association for fight against cancer, diabetes, multiple sclerosis, and many others. During 2013, it donated over 15M RSD in 18 health care projects.

Medicines needed for daily treatment of patients were provided for the psychiatric clinic “Dr Laza Lazarević” thanks to a donation of the Hemofarm Foundation, which confirmed its readiness to provide continuous help and support to health institutions and institutions for treating patients.

The Hemofarm Foundation donated to the Clinical Centre of Serbia, Belgrade Urology Clinic, the necessary funds for adaptation of wards on the 1st floor of the Urology Clinic, so as to improve conditions of patients’

stay and improve work conditions for the employees at the ward. It also donated a portable EEG device to the Cardiology Ward III. Within the campaign “Battle for

Emergency Department”, which was initiated to raise the citizens’ awareness of the inadequate medical equipment in this health institution, the Hemofarm Foundation took part by purchasing two special hospital beds. The Hemofarm Foundation helped the Clinical Centre Banja Luka by equipping its gynaecology room, and it provided funds for science-research work for the Institute of Physiology at the Belgrade Faculty of Medicine. Support was also provided to the Foundation’s activity for promotion of health – MobiMed, namely support was given for realization of the project “Calendar of My Health”, whose aim is preservation and improvement of the reproductive health of women by promoting correct, reliable and personalized information on health, via text messages, social networks and a website. This project was developed within the National program “Serbia against cancer” with the support of Serbian Ministry of Health.



Aside from a systematic approach in supporting health care through project activities of Hemofarm Foundation, Hemofarm’s Marketing and Sales Sector is also trying to improve domestic health system with strategic donations. As a CSR company, Hemofarm is open to provide donations to public health institutions, with the goal to improve citizens’ health. The most significant part of donations refers to donations in medications, but Hemofarm also donates medical equipment, supplies and other equipment needed for functioning of health centres and pharmacies.

The manner of donation is determined by internal rules and by legislation in order to enable making decisions in a transparent and objective way.

In 2013, the company signed 162 donation contracts, 16 of which are monetary and/or in special-purpose equipment (adaptation of rooms, medical devices, etc.), with a total donated amount of over RSD 6,7 million.

YOUNG TALENTS AND EDUCATION

The Hemofarm Foundation invested over RSD 26M in 2013 in scholarship programs for 185 high school and faculty students. These programs are intended for students at the universities and faculties founded by the Republic of Serbia, high school students in Vršac and students who are children of Hemofarm A.D. employees. It also helped talented pupils and faculty students to participate in international contests, trainings and courses abroad, and it also organized a contest for remarkable achievements during schooling, where the most successful students of natural sciences on graduate, post-graduate and PhD studies were awarded with 3 monthly scholarships.

Education and improvement of science and education are important items in the activities of the Hemofarm Foundation. The aim and wish of The Hemofarm Foundation is to keep the best young people in the country, and to enable the highest quality education to those who are the future of the society.

Besides scholarships to the most talented young people, the Hemofarm Foundation has been helping education institutions for years by providing funds for their equipping and renovation, as well as for participation of the best faculty students and pupils in international seminars, trainings and courses in the country and abroad.

In 2013, the Hemofarm Foundation donated over 1.5M RSD for 25 activities in the field of science and education.

In order to support education and increase the quality of education, the Foundation is renting its facilities to the Musical School "Josif Marinković" in Vršac free of charge. The facilities are used for practicing and the practical part of education. The value of this donation is over 1M RSD on an annual level. The Hemofarm Foundation has also helped the association "Mlada družina", whose members were the representatives of the Serbian student delegation in the forum of young leaders which took place in the Russian Federation. Support was also provided to the Lotos theatre - the young for the young; the theatre organizes activities for pupils with the aim of preventing addiction diseases. Hemofarm also provided support to BEST (Board of European Students of Technology) for an engineering contest in Sofia, as well as to the traditional event "Carstvo za drugarstvo" for 1st grade pupils in the Vršac municipality. Rubber pads for a children's playground and special devices were provided for the school for primary and secondary education of children with special needs "Jelena Varjaški" from Vršac. Primary schools "Jovan Dučić" and "Drinka Pavlović" from Belgrade were given funds for equipping a German language classroom, while the Faculty of Chemistry in Belgrade was given funds for an exhibition in the Chemistry Museum.



SUPPORT FOR THE MOST VULNERABLE SOCIAL GROUPS



The Hemofarm Foundation actively works on improving living conditions for the most vulnerable social groups in our society. A contract with the Association of the Roma women was signed in Timisoara in 2013 in order to help the children, within the IPA program of cross-border cooperation of Romania and Serbia. The project is entitled "Equal social opportunities" and is focused on the inclusion of Roma population in Serbia and Romania.

The biggest charity endeavour of the Hemofarm Foundation in 2013 is a strategic partnership with UNICEF with the aim of realizing a project within the national campaign for reducing domestic violence over children and offering support to positive parenting. Through this project, the Hemofarm Foundation is investing in the broadening of the institution of family so that positive parenting practices would become the norm in every household.



Support programmes for shelter homes and other institutions for children without parental care in Sombor, Bela Crkva, Belgrade and Pančevo were continued. More than 14M RSD were donated for 65 humanitarian activities. The Foundation also supported the activities of the associations that are working on improving the social position of citizens with serious illnesses or handicaps. The Hemofarm Foundation supported SOS phone line for women and children who were victims of violence in Belgrade, as well as: the Centre for personal assistance for disabled persons “Živeti uspravno” from Novi Sad, Association “Zvončica” from Belgrade for work in psycho-social workshops for children that are receiving chemotherapy at the Institute for Mother and Child “Dr. Vukan Čupić”, Incest trauma centre from Belgrade and the Association of paraplegics and quadriplegics of Serbia.

The Hemofarm Foundation contribution

	RSD 2012	RSD 2013
Development of health sector	RSD 4,009,736.00 in 8 campaigns	RSD 15,502,411.81 in 18 campaigns
Cultural support	RSD 13,576,376.00 in 34 campaigns	RSD 18,044,247.89 in 67 campaigns
Scholarships	RSD 36,631,400.19 ¹⁴ / 227 scholars	RSD 22,878,269.00 / 185 scholars

¹⁴ Higher criteria for allocation of scholarships for children of Hemofarm's employees were introduced.

HUMAN RESOURCES

Quality⌘



Employees' development as the company's strategic focus – number of trainings (3,449) and investment in employees' education (EUR 326,192) doubled compared to 2012

Special emphases on gender balance – 51.8% of women account for the company management

Employee well-being upheld by the highest safety and health measures, enhanced through the introduction of OHSAS 18001 international standards

25% less work-related injuries compared to 2012



Employees as one of the most important company resource

STRATEGIC OBJECTIVES AND RELATIONSHIP WITH EMPLOYEES

Hemofarm is becoming a modern and dynamic company, and one of its most important resources are the employees. By realizing their personal and professional potential, they are contributing to achieving organizational goals. Therefore, highly qualified and quality personnel are one of the biggest priorities of our company.

Hemofarm management wants Hemofarm to be recognized as the “most desirable employer” by being, among other things, a successful company in the domain of HR management.

Hemofarm keeps investing in its employees. When it comes to professional development of employees, strategic aims are focused on the promotion of company values as well as on efforts to adopt the values the company supports. Furthermore, these aims are focused on further strengthening of the organizational culture, as well as improving the system of awarding those employees who are inspiring other colleagues with their results and are working on the improvement of their business environment. Creating conditions for establishing an equal balance between work and private life has also been set as one of the goals.

In 2013, two main projects have been started in the field of human resources. Strategic HR goals are fulfilled through projects of work places evaluation for securing internal equality according to the internationally recognized Mercer method. Also, in order to identify and strengthen competences of our employees, a project was started for creating competences for all the work places. These projects are expected to end in the second half of 2014.

The first phase of introducing HR SAP module was finished in 2013. The so called “Go live” started in April for four modules: organizational management, personal administration, earnings and time management.

The results of the project were: advanced flow of information, systematic management of data (data in reference with employees), and adequate preparation for the introduction of other modules for the development of employees. The beginning of other modules referring to the development of employees is expected in 2014.

In cooperation with the Infostud company as well as with an independent agency, regarding continuous development, Hemofarm has conducted a survey in 2013 on employee satisfaction. The survey results and specific measures for improvement will be announced in early 2014.

RIGHT TO WORK, STRUCTURE AND GENERAL DATA

Hemofarm is a company that takes care of its employees. On December 31, 2013, the company had 1,648 employees. From that total number, 121 employees were engaged under fixed-term contracts of employment, while 2 persons were part-time workers.

There were no cases of hiring minors as employees in the company. The minimal gross salary in Hemofarm is above the minimal wage in Serbia.

Minimal gross salary (RSD)	
Republic of Serbia	Hemofarm A.D.
For the month of December 2013	
28,873.04	40,704.04

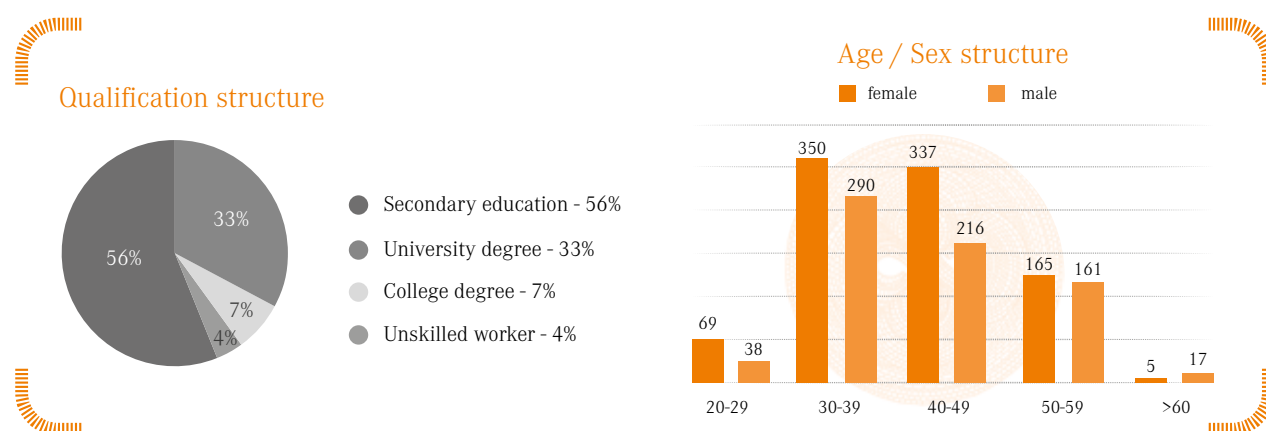
When it comes to rights and obligations of employees, Hemofarm does not make difference between employees engaged under fixed-term contracts of employment and employees working under a contract for an indefinite period. Out of the total number of employees, 56.19% were women, and their share in managing positions is 59.46%. The company gives uniform salaries for the same work places, regarding of the employee's gender.

Contract	male	female	total
Indefinite period	682	845	1,527
Fixed - term	40	81	121
Total	722	926	1,648

Contract	2012			2013		
	male	female	total	male	female	total
Management	55	72	127	40	43	83
Others	690	865	1,555	682	883	1,565
Total	745	937	1,682	722	926	1,648

During the year, 63 employees have left the company, which is approximately 4% (3.82%) of the total number of employees:

Age	<30		30-50		>50		Total	
	New employees	Left the company	New employees	Left the company	New employees	Left the company	New employees	Left the company
Male	21	4	17	13	1	9	39	26
Female	22	6	22	14		17	44	37
Total	43	10	39	27	1	26	83	63



Absence from work due to the maintenance of pregnancy or maternity leave does not represent an obstacle for employees to return to their work posts. During 2013, 65 employees were on maternity leave. All the women who gave birth returned to work in 2013 after maternity leave.

Employees with the right of absence due to child care 2012		Employees who exercised the right of absence		The expected number of employees to return to work		Employees who returned to work after leave		Employees who returned to work after leave and are still working 12 months later	
male	female	male	female	male	female	male	female	male	female
/	65	/	65	/	65	/	29	/	on-going

Hemofarm proudly shares the opinion that the right to work is the universal right, which is why there is only one criterion for employment – professional competence. In our work environment we apply a zero tolerance policy for any sort of discrimination: Race, colour and national origin discrimination, Sex and gender discrimination, Religious discrimination, or any other type of discrimination.

In 2013, no procedures against the company for gender, national, religious or any other discrimination were initiated.

No mobbing cases were recorded in 2013. Only two cases of initiated procedures were recorded in the company's history based on violation of the law on the prevention of harassment at the workplace, one of which was rejected in court as unfounded, and the other is still in court procedure.

When it comes to mobbing, it is important to point out that the company offers full legal protection and support to its employees if such cases occur.

UNION ORGANIZATION

Hemofarm cherishes the right of its employees to self-organization. Two union organizations operate within the company. The information that number of members of major independent union has increased from 1,290 in 2012, i.e. 77%, to 1,304 members, which makes 79.13% of the total number of employees, speaks about how interested the employees are in taking an active part in protection of their rights and in improvement of their rights. These figures are even more important when we know that the total number of employees dropped from 1,682 to 1,648 in 2013.

Employees at the company have full right to unionization.

The Collective contract does not only define the obligations of the employees during their employment at the company, but it also defines all the employees' rights which they acquire by employment. In accordance to the Labour Law of Republic of Serbia, the collective contract is applied to all employees of the company.

According to the collective contract, employees have a guaranteed reimbursement for vacation, a present for female colleagues is provided on Women's Day (March 8th), and a celebration is organized for the children of our employees for New Year holidays, during which the children are presented with Christmas presents.

According to the collective contract, jubilee awards are provided as a form of award for continuous work in Hemofarm. These awards aren't just a token of gratitude to employees for their dedicated work on Hemofarm's development, but also an incentive, that they contribute even more to better business results of the company with their talent and performance features.

Amount of jubilee awards (RSD)	
10 years	39,520.00
15 years	52,692.00
20 years	79,038.00
25 years	92,211.00
30 years	105,384.00
35 years	131,730.00

In case of retirement, gross average salary in the company or the height of employee's average salary in the past three months is taken as basis for calculation and payment of severance fee, in accordance to the collective contract.

According to the Labour Law, in case when it is necessary that the employee changes work position, the employee will receive a notification by which he/she has a deadline of minimum 8 work days to state his/her decision about whether he/she accepts the offered annex to the contract of employment.



Development of knowledge and skills as one of the priorities of the company

EDUCATION AND THE PROGRAMMES FOR STIMULATION OF EMPLOYEES

During 2013, our employees have attended 3,449¹⁵ external and internal trainings. Approximately, it is more than double in comparison with 2012 when the employees attended 1,858 trainings. During the year, the biggest number of trainings was for the newly employed workers, but there were also different trainings for new operational procedures. The employees have also undergone numerous external expert trainings, as well as the “soft skills” trainings.

In 2013, more than 350,000 EUR have been invested in the external education for the entire Hemofarm group, while at the level of Hemofarm A.D. this amount was 326,192 EUR which was more than double in comparison with 2012.

All new employees, 83 of them in 2013, have undergone training in accordance with the principles of introduction to new working position. The training lasts for at least two months, with monitoring and evaluation of adaptation.

¹⁵ Unit of measure is training per employee; the same employees have undergone several trainings in accordance to the demands of their working position

Hemofarm especially cherishes the culture of awarding its employees who contribute to efficient and effective development of the company through their outstanding dedication at the work place.

The system for awarding the best workers is merely one of the ways to keep the most talented and hard-working employees in the company, for they represent the key factor in positioning of the company as a desirable employer.

In 2013, Hemofarm continued to develop in identified talents in accordance to the project initiated in 2012. The company enabled further development of talents through targeted educations in the field of management, and through participation in different projects organized by the Communications Centre and Human Resource Sector. At the beginning of June 2013, the talents shared their acquired skills with employees at a specially organized forum. After the forum they have presented their own ideas about business improvement to the CEO and other Sector Directors. Talents have especially singled out and underlined the importance of a two-way communication on all levels in Hemofarm, using the short video clips with examples of good and bad communication. Further initiatives and concrete activities are expected next year. All Hemofarm employees receive a formal feedback about their work.

Based on the Rulebook on definition of framework for determining salaries and other incomes, employees who show extraordinary results during regular monthly evaluations have a right to a one-off increase of their personal income in the amount of 10% of their basic monthly salary.

Employees in key positions prepare their Career Plan programme, which includes setting and accomplishment of goals. Also, in order to strengthen the management's competence and set further plans for development of active leadership, a 360-degree evaluation of managers has been conducted in 2013. Depending on results which are expected to be gathered in 2014, we will prepare a plan of development and conduct concrete activities, and the main goal is to turn this form of evaluation into a continuous practice for the purpose of development.

Hemofarm encourages its employees to use advantages of additional pension insurance. According to the general contract on voluntary pension insurance of employees, the company will deposit RSD 2,000 a month to employees who decide to deposit at least RSD 1,000 from their own assets, and who are in a permanent work relation for over three years. Our goal is to enable good living conditions for our employees during their years of service, but also after their retirement. Another goal of this benefit is to incite loyalty to the company.

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

We take care of our employees even after they go to a well-deserved retirement. Our pensioners are provided with assistance in the procurement of medicines and conducting laboratory tests in the amount of 25% of average gross salary on the territory of Republic of Serbia through the company's Solidarity Fund. Help is also provided in case of retiree's death, in the amount of up to 50% of untaxed amount.

Hemofarm also offers different types of services to the Association of Hemofarm's pensioners and it also provides monthly donations in order to enable that the Association operates without any obstacles.

Hemofarm continues the tradition to make reunions for its retired employees every year on the Company Day. In that way we give our present employees a chance to learn more about how Hemofarm used to be in the past, and to compare it with present situation.



*Good team spirit and
colleague support*

SAFETY AND HEALTH AT WORK

Hemofarm A.D. is committed to enabling safe and healthy working environment for all of its employees, manufacturers, procurers and visitors by conducting preventive measures. It is possible to create a safe working environment through continuous improvement and monitoring, through continuous implementation of trainings, examination of conditions in working environment, periodic maintenance and testing of working equipment. In that way it is possible to prevent illnesses and injuries at work.

The care about employees and responsibility for their safe and healthy working environment does not end with compliance with statutory requirements. Hemofarm has taken a step further in this direction. The prominent Swiss inspection, verification, testing and certification company SGS, accredited for certification and monitoring of integrated management systems, has during the recertification procedure, extended Hemofarm's ISO 14001:2004 certificate and it has issued OHSAS 18001:2007 – a new certificate, the highest industrial standard in the field of Safety and health at work. These standards have been presented to all our employees. The employees were presented with domains of their application in everyday activities at work. The visitors, manufacturers, and company procurers have also been informed of these standards, so that we all can be dedicated to the same goal – preserving health and safe working environment.

When it comes to Safety and Health at work, the statistics of Hemofarm A.D. for 2013 are as follows:

- There were as many as 24 injuries at work, two of which were characterized as major injuries
- Lost days rate (absence from work): 528 work days
- There were no fatal injuries
- There are no employees with occupational diseases

The statistics include all injuries that happened at the work place or on the regular route from the company to the on-sight location and back. There were no injuries of subcontractors and suppliers, and there were no injured visitors or pupils doing their internship at the company.

Year	2012	2013
Total number of injuries	30	24
Minor	27	22
Major	3 (one on the way to work place)	2 (one on the way to work place)

Out of the total number of injuries four of them happened on the way from and to work, and two at a sports competition organized by Hemofarm A.D..

IR¹⁶
(Injury rate)
=14

LDR
(Lost day rate)
=30.7

AR
(Absentee rate)
=2,460.26

EMPLOYEES' HEALTHCARE

Hemofarm takes care about its employees' health. As a pharmaceutical company, we understand the importance of prevention within the health protection system. Along with stress, fatigue is becoming one of the biggest problems of a working man today. As a result a lower level of concentration and productivity appears, which has a negative effect on the health of employees, but also on company's results as well.

There are expert associates in company's HR Sector, who are specially trained to offer psycho-social support to employees and their families in order to eliminate negative influence of a number of external factors on their lives. Experts help the employees so they can make the perfect balance between their professional and private life, and thus accomplish more on both fields.

In order to promote a healthy and high-quality life, Hemofarm secures the lease of space and the purchase of props, so the employees can practice sports (futsal, volleyball, basketball, etc.). The best ones represent the company at organized annual sports games or at individual events where team and competitive spirit are incited. In September 2013, Hemofarm gathered and hosted the biggest regional pharmaceutical companies for sports games called "Farmacijada". The results have shown that our employees train hard – Hemofarm won first place in four out of seven sport disciplines. Aside from winning awards, the goal of these games is to bring employees from different organizational units closer together, and Hemofarm tries to expand and enrich activities in this domain year after year.

¹⁶ IR = total number of injuries / total hours worked x 200,000

LDR = total number of days lost / total hours worked x 200,000

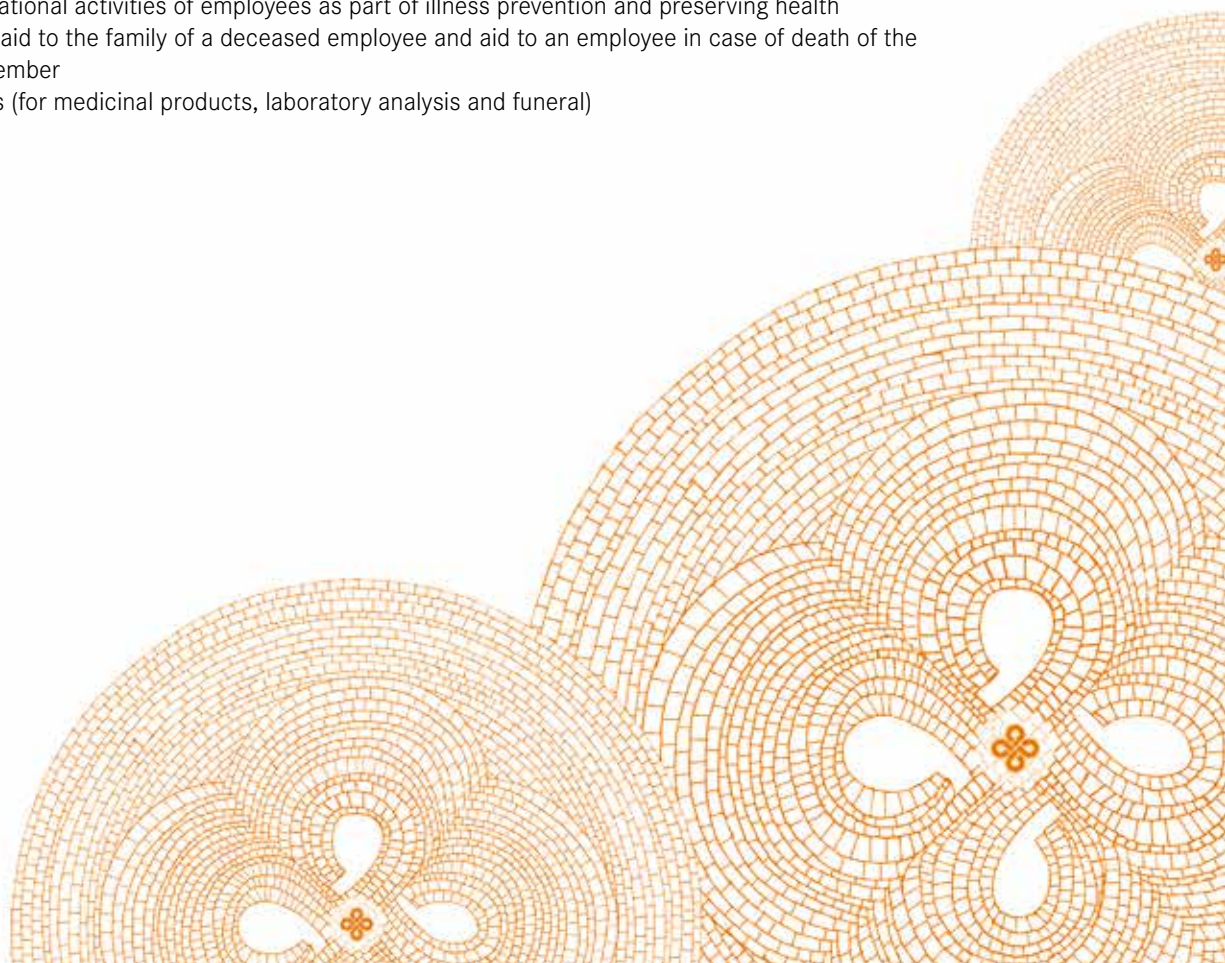
AR = total number of absences in the period / total number of workdays x 200,000

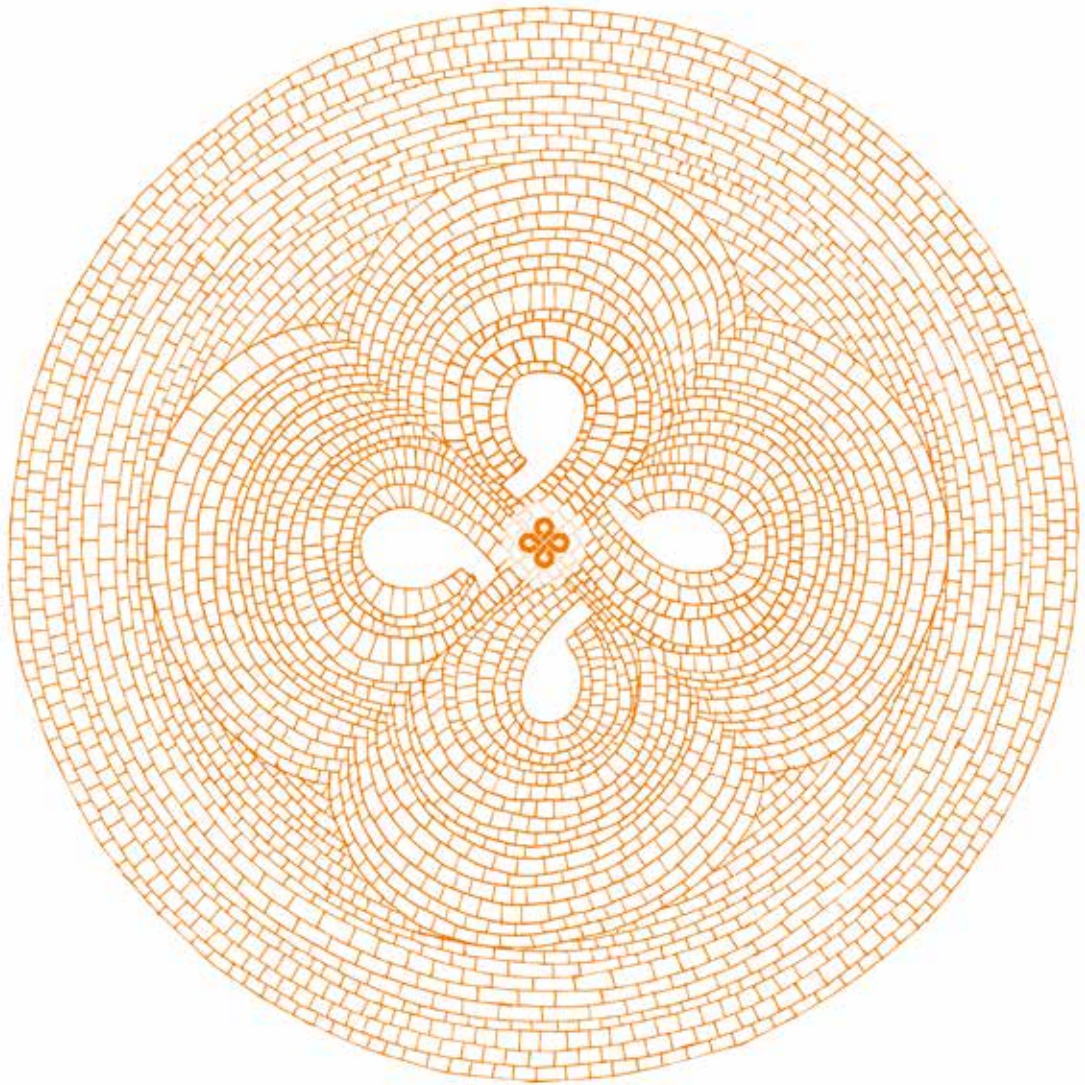
WORK DISABILITY PREVENTION FUND AND RECREATION LEAVE OF EMPLOYEES

This Fund seeks to compensate the rights to prevention and treatment which our employees have gradually lost due to state health system reforms; or when these rights, for various reasons, cannot be exercised 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 from year to year. Compared to 2012, when 600 employees addressed the Fund, this number rose to 750 in 2013. In 2013, 100 pensioners addressed the Fund, asking for help.

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





ENVIRONMENTAL PROTECTION

Trust[∞]

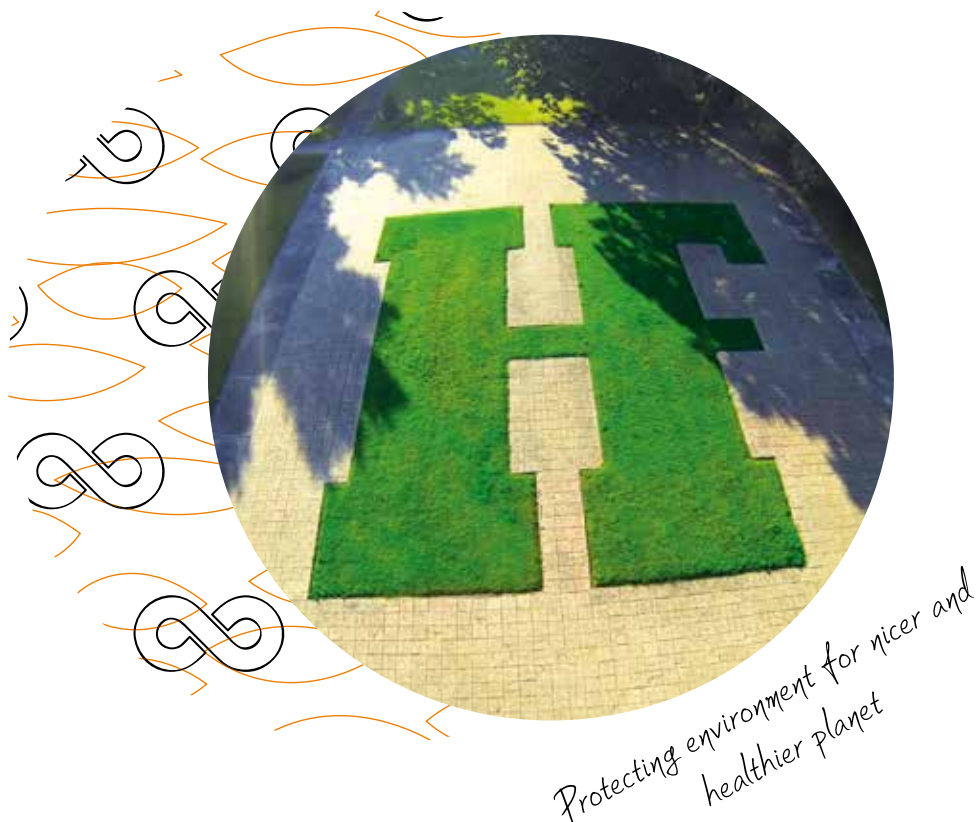


EUR 150.000 invested into phase 2 construction of the waste water purification facility

Use of water from public water supply system decreased by 13.5% compared to 2012 due to increased utility of water from artesian wells

Total amount of generated pharmaceutical waste treated in accordance with local regulations and based on best available techniques

27,000 trees saved as a result of using recycled cardboard in the packaging process



RESPONSIBILITY FOR THE FUTURE

In Hemofarm the responsibility towards the environment goes beyond the scope of obligation to respect the standards and the applying legislation. With our personal example, we want to create conditions for permanent and sustainable results in environmental protection sector as well.

The most significant investment in the Sector of environmental protection refers to planned construction of primary waste water treatment line. The planned amount of investment is EUR 500,000, and it will be carried out within three years. The first stage of realization (refers to 2012) amounted EUR 150,000. The second stage (that referred to 2013 is also finished) was worth EUR 150,000. In 2014, we expect to finish the entire project.

From the aspect of environmental impact, Hemofarm A.D. does not conduct activities that have negative effect on the local community. Potential negative impacts, as well as measures for their prevention, management and actions to remediate possible consequences, are precisely described in the document titled "Accident Prevention Policy", which stands in the archives of the Safety and Protection Sector.

Hemofarm A.D. is daily conducting measures in order to prevent potential negative effects on the environment, in the following manner:

- The most important is to identify, control and monitor all activities that might affect the environment
- By respecting legislation, standards' demands and internal rules and regulations in accordance to demands of environmental protection systems
- Monitoring, measuring, diminishing and preventing release of toxic materials in the environment (air, water or land)
- Integrated waste management, with a special request to diminish creation of all types of waste. Emphasising reuse and recycling of materials where possible and waste disposal in a responsible and safe way

- Active communication with employees, stakeholders, suppliers and subcontractors about all the relevant topics for environmental protection
- Training of all employees to constantly work on improvement of environmental protection.

WASTE MANAGEMENT

The Safety and Protection Service takes an active part in the final stage of our products' life-cycle by providing safe collection, temporary disposal and neutralization of products with an expired shelf life. It also takes part in managing other types of recyclable waste. We have established the cooperation with official operators who take waste paper, plastic, wood and glass from us and process and recycle them again.

Total amount of waste created in Hemofarm A.D. during 2013:

1. Hazardous waste 119,746 kg (gross weight with packing)
2. Non-hazardous waste 309,825.805 kg.

Overview of waste movement by type in tonnes

The type of waste	1/1/2013	Produced waste in 2013	Waste taken care of in 2013	31/12/2013
Non - hazardous	-	310	310	-
Hazardous	5	105	110	-
Total	5	415	420	-

Hazardous waste created in Hemofarm A.D. is exported to be neutralized through incineration in the specialized plant in Vienna (Austria). The amount of exported pharmaceutical hazardous waste in 2013 was 119,746 kg (gross weight with packaging). The decision about how the waste will be disposed has been made in accordance to local legislation, but it was also based on the best available techniques that Hemofarm A.D. can harmonize with the legislation, stakeholders' requests, and Hemofarm's own potentials.

Hemofarm A.D. is a part of the System for national packaging and packaging waste management, but it also takes part in the national strategy for reduction of the quantity of packaging waste. Due to that reason, Hemofarm A.D. has, in cooperation with authorized operator, fulfilled its obligations for 2013, and it continues to work further in order to realize the final goal – successful implementation of national strategy.

GAS EMISSIONS

In 2013, Hemofarm has been using only “ozone-friendly” Freon for the functioning of the compression stations and air conditionings, which is a standard for new technologies that we apply in Hemofarm.

The amount of procured “ozone-friendly” Freon in 2013

FREON R404A	87.2 kg
FREON R134A	843.2 kg
FREON R507	124.3 kg

The amount of used “ozone-friendly” Freon in 2013 is presented in the table.

In 2013, Hemofarm acquired a total of 1,054.7 kg of Freon mentioned above. Other Freon, which do not have “ozone-friendly” label are no longer used in Hemofarm.

WATER MANAGEMENT

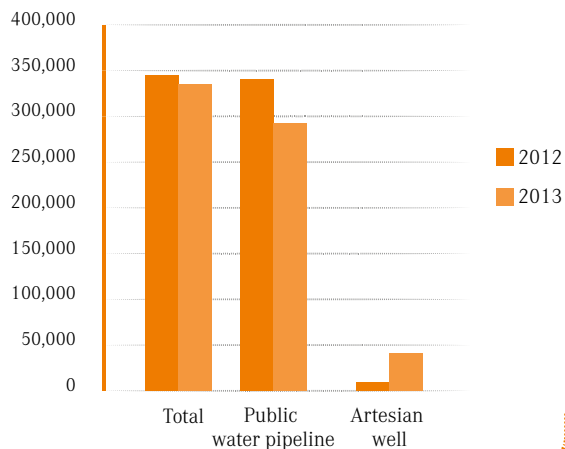
Significant amounts of water are needed for the production processes in Hemofarm- water is needed in technological procedures and for the production of purified water (PW), functioning of cooling systems and sanitary needs. Water supply of all parts of Hemofarm has been secured by using water from:

- public water pipeline and
- artesian wells.

The total amount of water from public water pipeline has been decreased from 331,312 m³ in 2012 to 286,654 m³ in 2013. This represents a decrease of 13.5%.

The significant decrease in amount of water utilized from the public water pipeline network was achieved due to the construction of artesian wells in 2012. A total amount of water used from these wells in 2013 was 43,185 m³ while during 2012 it was 9,106 m³ (the share of water taken from artesian well is higher in 2013, since the company started to use the wells in Q4 of 2012).

Review of quantities of extracted water (in m³) for 2012 and 2013, from the following sources:



With its water consumption Hemofarm does not compromise any resource of water in the water supply system. Artesian wells in the company are autonomous, and when it comes to city water spring in Pavliš, its capacity is 250-300 litres per second, which satisfies all the needs of residents of Vršac, Pavliš and Jablanka.

After analysing the need for rational use of water resources in 2013, we carried out a project for the increase of efficiency of the production plant of Purified Water (PW) in the Sterile Products Plant. By reducing the capacities of the production plant of PW from 16 m³/h (max available capacity is 20 m³/h) to 7 m³/h, in accordance to current needs at the Sterile Products Plant, water loss has been diminished (washing of the ultrafiltration and rejection unit at reversed osmosis). This further contributed to the reduced consumption of city water at the entrance to this plant, which was 7% lower in 2013 than in 2012. For the production of purified water in that plant in 2013, we spent 122,725 m³ which is around 37% of Hemofarm's total consumption.



Since the technical steam in Hemofarm has no contact whatsoever with the product, the overall condensate is returned to the boiler room for reuse during the technical steam production process. Continuous recovery of water used in the production process and in the use of technical steam is practically performed in this way. Total quantity of technical steam produced in 2013 amounted to 56,860 tonnes, while the quantity of well water that recharges the condensate system amounted to 16,900 m³.

1.3 m³ of water is required for the production of 1 tonne of technical steam in Hemofarm's working conditions. The ratio for this amount of water is: 77% is obtained by water/condensate reuse and 23% from the fresh well-water. The stated information was obtained by internally conducted measuring procedures (read from appropriate water gauges) and by monitoring of water consumption from certain sources, which are used for production of technical steam in a certain time frame. If the condensate had not been reused at all, 73,760 m³ of water would be required for the production of 56,860 tonnes of steam. Since the condensate is recovered in the indicated quantity, only 16,900 m³ of water from the wells annually is needed for recharging the system. **The total saving in water consumption for steam production amounts to 56,860 m³ of water.**

In order to optimize the use of energy of technical steam for preparation of sanitary warm water in the Sterile Products Plant, the project for the utilization of warm waste water from steam boilers was carried out in 2013 – by installing additional equipment (heat changers, pumping stations, valves). That enabled the use of heat energy of water which is in regular process rejected as a result of desalination and the removal of residue from steam boiler. This energy is used since November 2013, when the installation of equipment and systems was completed, as an additional source of heat for preparation of warm sanitary water in the Sterile Products Plant. This led to smaller use of technical steam for this purpose, by approximately 10 tonnes a month. Even though this represents a small share in the total monthly consumption of technical steam, the amount of heat that's obtained this way is sufficient to completely satisfy the needs for preparation of sanitary warm water at the Sterile Products Plant.

The total amount of released waste water for the location of Hemofarm A.D., Beogradski Put bb, in 2013 was 286,654 m³ (according to the calculation of "2. Oktobar" utility company). The quality of released waste water is monitored on a monthly level for technology/sanitary waste water and on a quarterly level for atmospheric waste water, by the independently accredited laboratory from the Novi Sad Institute for Protection at Work. All reports are kept in archives of the Safety and Protection Service. Waste water that has been released in city sewage does not undergo primary treatment in Hemofarm. The entire waste water from city sewage network is treated in city waste water treatment plant, which is owned by "2. Oktobar" utility company from Vršac.

There was no unplanned release of waste water into any of recipient in 2013 Hemofarm A.D. also, didn't have any financial or non-financial fines or sanctions by the relevant bodies, in 2013 or in general.

ENERGY

The rational use of energy sources is one of imperatives at Hemofarm, without the possibility to diminish the quality of work/production procedures, and performances and safety of finished products. Energy saving is a constant challenge, which is being improved year after year, using new solutions and by implementing different projects of operative excellence.

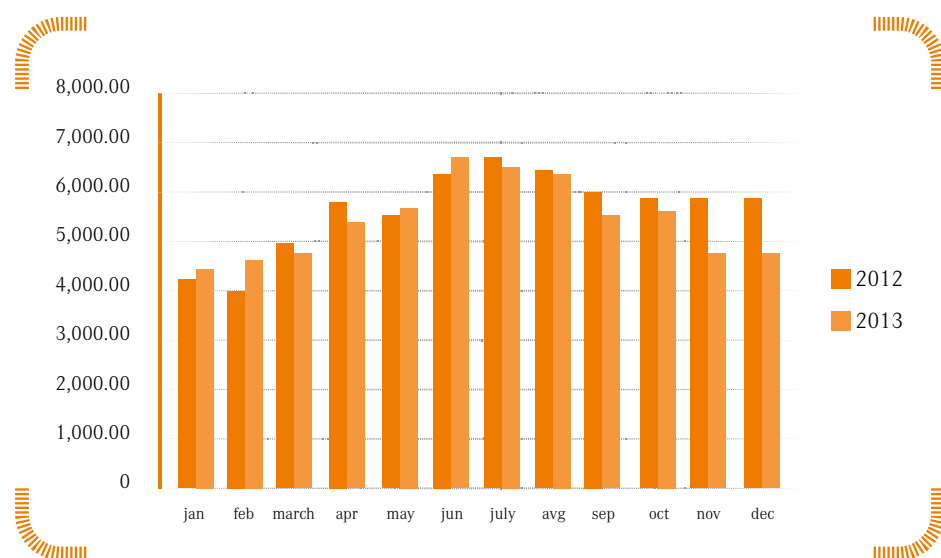
Overview of electric energy Consumption:

Year	Electric energy (kWh)
2012	33,655,147
2013	33,388,114



To prevent overuse of electric energy in a higher tariff, a project was carried out in Vršac at the end of last year, for the improvement of the utilization of cooling energy through its accumulation by producing ice during the night and by using this energy source during the day.

This improvement – adequate utilization of cooling system in 2013 (especially in the summer months, i.e. from March to November) led to decrease in using electricity in higher tariff compared with maxigraph²⁰ per months in 2012.



²⁰ Maxigraph records the peak power taken within a set time interval from the electrical grid.

Gas consumption in Hemofarm A.D. was almost 5% lower (4.8%) in 2013 compared to the previous year:

Year	Gas (m ³)
2012	5,515,130
2013	5,251,724

The main reason for decreased gas consumption in 2013 is weather condition, i.e. significantly higher temperatures during winter months compared to 2012. This was especially noticeable in February, which was the coldest month in 2012 – around 22% less gas was spent in February 2013 than in the same month of 2012.

Environment protection

	%	2012	2013
Volume of water (m ³)			
From the main water pipeline	-13.5	331,312	286,654
From Artesian wells	*	9,106	43,185
Gas consumption (m ³)	-5	5,515,130	5,251,724
Consumption of el. energy (kWh)	-1	33,655,147	33,388,114

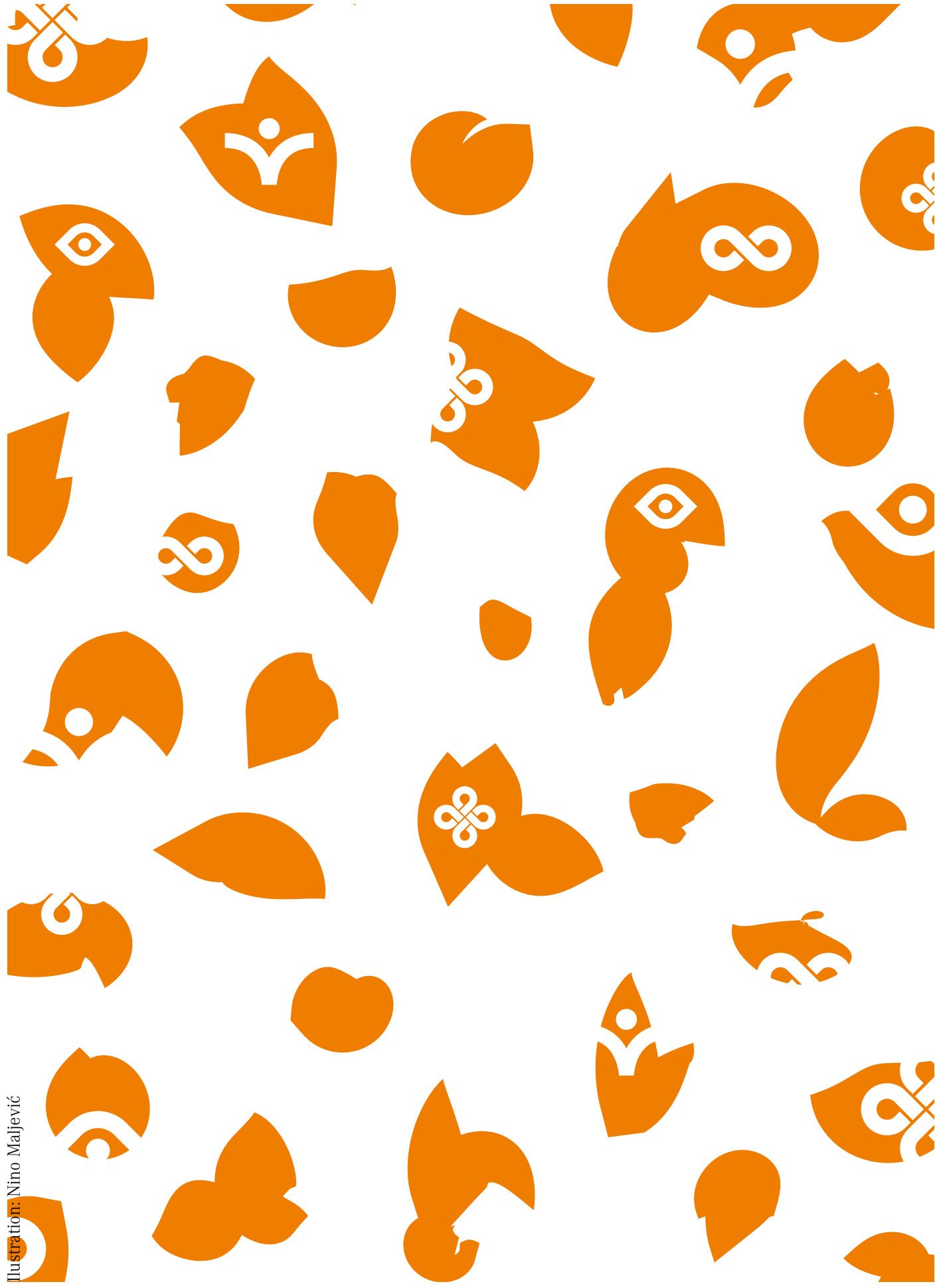
*The share of water taken is higher in 2013, since the company started to use the wells in Q4 of 2012.

Despite the fact that there has been an increase in the production volume of 4.74% (in the number of packages), rational use of water resources and energy sources has been and stayed one of Hemofarm's imperatives, and it does not affect the quality of working/production process nor the performances and safety of final products





ABOUT THE REPORT AND REPORTING PRINCIPLES





Methodological rules and principles of Global GRI standards (G3.1) were used as the basis for the preparation and the creation of this Annual report on sustainable development of Hemofarm A.D. Company, which covers the period from January 1st to December 31st, 2013. The previous published Annual report refers to year 2012. With that report the company met the requirements of the B+ level.

Global Reporting Initiative (GRI) is a non-profitable organization which is putting efforts in establishing sustainable global economy by proposing guidelines for composing the Reports on sustainable development. These guidelines are recognized worldwide and accepted by all leading companies. Implementation of GRI guidelines allows a company to report transparently about the effects in four key areas of sustainable operations – economic, environmental, social and managing. In addition to a company profile and a number of indicators as well, the base of our report is based on following principles:

Materiality

The report encompasses all those topics which are relevant to interested parties.

All economic, environmental, social and managing topics and activities which influenced the company, namely the activities which could potentially affect the opinion of our interested parties, by using various quantitative and qualitative factors are included in the Report. The process of specifying priority topics in the Report for year 2013 included the synchronization of demands and interests of all interested parties with strategic priorities of the company.

Inclusivity

One of the goals of Hemofarm Company is to create conditions for efficient dialogue with all interested parties and therefore to improve mutual relations and improve general satisfaction with company operations. Our primary aim was to start the dialogue, and the Report represents only one of the possible ways for starting it. Our internal research on employees' attitudes, annual research of expert public opinion (physicians and pharmacists drug wholesalers and private pharmacies), and market research through which we try to understand the ways our operations affect the environment are important component of these activities. For that reason, precisely, we are looking forward to receive feedback information that readers of this report will have about its quality and content.

Hemofarm is ready to take into consideration all feedback information so it could enhance the quality of future reports. E-mail address on which all feedback information can be sent is svakodobro@hemofarm.com.

Sustainability

The principle of Operations' Sustainability presents a method by which a company can observe its long-term effects on the environment and present its activities on national, regional and global level.

Completeness

The Report provides obtained information and data closing with December 31st 2013. Comparative data with the previous year were shown where possible. Financial and economic indicators are taken from consolidated financial report for Hemofarm A.D. for year 2013 and they refer to the company activities in Serbia, excluding related legal persons in Montenegro, Bosnia and Herzegovina and Romania, and Hemofarm Šabac d.o.o. as well.

Balance

Balance requires the presentation of both positive and negative aspects and influence of the company on sustainability, thus providing impartial and objective presentation of its results.

Objective presentation of the company results in 2013, when it comes to economic, environmental and social dimension, is based on answers to 48 indicators of GRI methodology, which present all relevant information, regardless of their characteristics.

Comparability

Comparability means presenting data in a consistent and persistent way so the possibility of comparing with GRI standards and other companies is always possible.

Since this is the second Report on sustainable development composed by Hemofarm A.D. it is possible to compare it to the Report from the last year.

Precision

Precision presumes providing adequate quality and quantity information and constantly improving the system for data collecting and data analysis. Where it was not possible to collect source data, the calculation was preformed with explanations regarding calculation methodology.

Timeliness

Timeliness presumes persistency in reporting frequency and in the length of the period of reporting in order to secure availability of information on regular basis and the ability to make adequate and timely decisions regarding the company and its operations.

Clarity

Clarity stands for presenting information in clear, simple and transparent way, thus providing availability to information. The availability and clarity to all stakeholders was the goal we were aiming at when creating the Report for 2013.

Reliability

Reliability presupposes collecting, recording, composing, analysing and releasing information in a way which can be subjected to inspection and which can substantiate quality and materiality of information.

Relying on standards and requirements of globally recognized GRI methodology, this Report was verified by the audit firm KPMG d.o.o..



GRI index	Page
1. STRATEGY AND ANALYSIS	
1.1 Foreword by CEO	7
1.2 Description of Major impacts and possibilities	6
2. COMPANY PROFILE	
2.1 The Name of the Company	4
2.2 The main brands, products and services	11
2.3 Operative structure of the organization, including major departments	14
2.4 Headquarters location	14
2.5 The number of countries in which the organization operates	11
2.6 Legal form and nature of ownership	11
2.7 Markets in which the company operates	11
2.8 Company size	11
2.9 Significant changes in the period of reporting	4
2.10 Awards received in the period of reporting	20

	GRI index	Page
3.	REPORT PARAMETERS	
3.1	Reporting period	80
3.2	Date of the last Report	80
3.3	Reporting cycle	80
3.4	Contact for questions regarding Report or the contents of Report	16
3.5	Report making methodology, Materiality and Determining the content of Report	80
3.6	Report range	11
3.7	All possible limitations on the scope or on the range of the Report	
3.8	Basis for report on joint companies	
3.9	Data measurement techniques and the bases on which the estimates were based	80
3.10	Explain the possible corrections of data from previous Report	
3.11	Changes in comparison with the previous Report concerning boundaries, extensiveness or measurement methods, including baseline data and techniques on which the estimates were made, concerning the compilation of indicators and other information in the Report. Explain all decisions where GRI protocol indicators have not been applied or there has been a significant deviation from them	
3.12	GRI Index	80
3.13	Auditor Report	80

	GRI index	Page
4.	MANAGEMENT, OBLIGATIONS AND INVOLVEMENT OF STAKEHOLDERS	
4.1	Managing structure of the organization, including body responsible for the adoption of the strategy and supervision of the organization	14
4.2	Does the president of the top management body have also an executive function	14
4.3	For the companies that have unique managing structure, specify the number and gender of the members of the top management	
4.4	Mechanisms for stakeholders and employees to provide recommendations or guidelines to the top management	16
4.5	Connection between Board's and senior management's compensation and company performance	
4.6	Procedures for preventing conflict of interest	15
4.7	Procedures that regulate appointing Board members	
4.8	Internally developed statements about: The mission or values; Code of conduct; Principles that are relevant for economic, environmental and social performance	12
4.9	How does Supervisory Authority control Sustainability management	14
4.10	Methods for self-evaluation of highest managing body performance, especially in the field of economic, environmental and social performance	14
	OBLIGATIONS TO STAKEHOLDERS	
4.11	Risk Management	15
4.12	Expert made economic, environmental and social declarations, principles and other types of initiatives that company is committed to support	18
4.13	Membership in Associations	18
	STAKEHOLDER INVOLVEMENT	
4.14	The list of Stakeholders involved	16
4.15	The Process for defining Stakeholder	16
4.16	Access to Stakeholder involvement	16
4.17	Major topics raised by the Stakeholders	16

	GRI index	Page
	FIELDS AND INDICATORS	
EC	ECONOMY	
EC 1	Directly generated economic value	25
EC 3	Company obligations defined by pension plan	63
EC 4	Substantial financial aid by the state	
EC 5	The ratio of the minimum wage in the company and the statutory minimum wage at significant posts	59
EC 8	Development and influence of infrastructure investments and services rendered primarily for the public benefit by commercial engagement, 'pro bono' engagement or in kind	52
EN	ENVIRONMENT	
EN 3	Direct energy consumption from primary energy sources	74
EN 4	Indirect energy consumption from primary energy sources	74
EN 8	Total water consumption	72
EN 9	Water springs which are significantly influenced by the water consumption	72
EN 10	Amount of the recycled and re-used water, expressed in percentage and by total amount	72
EN 21	Total water drain	72
EN 22	Total amount of waste	71
EN 24	Weight of transported, imported, exported and treated waste which is considered to be hazardous by Basel Annex I, II, III Conventions	71
EN 25	Name, size, protection status and the level of biodiversities for the water surfaces which are directly influenced by the company	
EN 28	Total amount of all financial and other penalties imposed for non-compliance with the Environmental Law	
EN 30	Total investments in the Environmental protection	

GRI index		Page
LA	LABOUR RIGHTS	
LA 1	Total workforce per type of employment, labour contract and region; distributed by gender	59
LA 2	Total inflow and number of new employees, distributed by gender, region and age	59
LA 3	Benefits provided to full-time employees	60
LA 4	Percentage of employees covered by collective agreement and covenants	60
LA 5	Minimal notice period(s) connected with significant work changes, including whether it was stated in the collective agreement	
LA 7	The rate of occupational injuries, professional diseases, lost work days	65
LA 8	Education, trainings and counselling as a form of prevention of employees' incidence (or employees' families) from serious illnesses	62
LA 10	Average hours of training, annually per employee, distributed by gender of employee and by category of employees	62
LA 12	Percentage of employees who receive regular assessment of working performance and individual development	63
LA 13	Structure of management and employees distributed by categories, gender, age structure, minority or by other indicators of diversity	60
LA 14	Ratio of basic salary of men and women distributed by categories of employees	60
LA 15	Return and staying of pregnant women in the work place after maternity leave	60

GRI index		Page
HR	HUMAN RIGHTS	
HR 3	Total training hours of employees on the subject of politics and procedures regarding human right aspects which are of importance for business; including the percentage of trained employees	62
HR 4	Total number of discrimination incidents and actions taken	
HR 5	Identified operations and major suppliers with whom there may exist violations of the freedom of association and collective negotiation, or where considerable risk of such violations exists; measures and actions taken in order to support these rights	61
HR 6	Identified activities where a high risk for incidents of child labour exists, and actions taken	
HR 7	Business activities or major suppliers with whom there may exist potential risk for forced labour, all the actions and measures taken to eliminate the possibility of employing underage person	
HR 8	Percentage of employees in the security sector who have undergone the training about complying with human rights in accordance with the company's policy	
HR 9	Total number of violations of the rights of indigenous people	
SO	LOCAL COMMUNITY	
SO 2	Percentage and total number of all investigated business activities connected with the corruption risk	
SO 3	Percentage of employees who have undergone the training where they have been introduced with company's policy about corruption	
SO 4	Actions taken as response to the cases of corruption	
SO 6	Total amount of all financial and in-kind donations to the political parties, politically active persons or political institutions	52
SO 7	Total number of proceedings against the company due to the monopolistic behaviour	

	GRI index	Page
PR	PRODUCT RESPONSIBILITY	
PR 1	Initiatives through which the quality of products is enhanced/ services aimed at customer health and safety in different stages of life cycle	29
PR 3	Types of information about the product/service which are defined by company rules and procedures, percentage of significant products and services which are subjected to such information requests	27
PR 4	Failure to comply with the regulations and voluntary codes regarding the product data and marking services	
PR 5	Practices that are related to customer satisfaction, including the results of the survey on customers satisfaction	42
PR 6	Programmes which are developed in order to prevent lawsuits for non-compliance with legal regulations and voluntary codes regarding marketing communication	
PR 7	Non-compliance with legal regulations and voluntary codes regarding marketing communication, including advertising, promotion and sponsorship.	
PR 8	The total number of founded complaints regarding breaches of customer privacy or loss of personal information about the customer	
PR 9	The total amount of fines that the company is obliged to pay regarding violations of the Products and Services Law	



INDEPENDENT AUDITORS REPORT



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TRANSLATION

Limited assurance report on the Hemofarm Sustainability Report 2013

TO THE OWNERS

HEMOFARM A.D., VRŠAC

Scope and Responsibility

We have reviewed the Hemofarm Sustainability Report 2013 ("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 2013, on which auditor issued report dated 15 April 2014 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 2013
31 December 2013*

- 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 the Principles of Reporting" section.

As indicated by the management in the "About the Report and the Principles of Reporting" 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, 29 September 2014

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, 29 September 2014



KPMG d.o.o. Beograd


James Thornley
Partner

Hemofarm does not measure its achievements only by good business results, but also by responsibility towards the community in which it operates.

Every day we try to make Hemofarm an inspiring place for work where ambitious people are motivated to give their best. We believe that this is a good recipe so that all of us can be equally creditable for valuable and necessary contribution to our continuous progress.

Besides humanitarian aid to the most vulnerable layers of the population, Hemofarm strives to recognise and respond to the needs of the society by improving development of healthy values, as well as supporting other values that could make Serbia a better place. That is why we have invited our young and talented artists to give their contribution and present and illustrate our key corporate values in an interesting and different way this year. By promoting creativity and giving advantage to artistic expression, Hemofarm company is trying for the umpteenth time to confirm its position of the market leader and establish communication in a more beautiful, modern and authentic way.

ARTISTS' BIOGRAPHIES ---

KSENIJA PANTELIĆ is an illustrator and painter from Belgrade. She graduated from history of art and English language in New Zealand, and also graphics at the Faculty of Fine Arts in Belgrade in 2008. She actively participates in group and independent exhibitions in the country and abroad. She has organized three independent exhibitions in Poland and one in Belgrade so far. Her articles have been published in several foreign magazines and fanzines since 2012.

NINO MALJEVIĆ is an illustrator and animator from Belgrade. He graduated from the Faculty of Applied Arts in Belgrade and classic animation at Scuola Internazionale di Comics in Florence. After that, he returned to Belgrade and worked as an illustrator of children's books and magazines, as well as concept designer of characters for video games and animated movies for domestic and foreign clients. He has had three independent exhibitions and took part in several group exhibitions in Belgrade and Milan.



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