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Annual Report 2005



Antibiotice
Science and soul





We chose this way more than half a century ago. We chose to be better and with our soul closer to you. To offer more help, by improving the access to valuable medical treatments for million of people from over 40 countries.

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Board Chairman' Statement

2005, a top year for Antibiotice Company



Ec. Ioan Nani
General Director
Chairman of Board

I am glad to inform you that 2005 was a top year for Antibiotice, in the context of a constantly upward evolution during the latest years. The first sign is represented by the healthy and profitable development, emphasized by the financial results. As concerning the turnover, the company has reported an increase of 35% higher than the previous year and as concerning the gross profit the increase was even higher by 51%. The level reached by the company market capitalization is also important, which is several tens of times higher than 1999, reaching 120 million Euros in 2005. Two important reasons which led to special financial results consisted in the consolidation of a team of professionals in the company management and in the investments made during the last 5-6 years, which led to the expected results.

It is sure that the reached performance is not due only to these reasons, but to several factors. One of these is the fact that in 2005 we implemented a modern management system management by objectives. Precise objectives have been set up to all managers, from the top managers to the operational ones and thus the activity of the entire organization was oriented towards reaching the proposed results and towards performance.

2005 is also important in the life of the company because we have been granted the certificate according to European Pharmacopoeia for the active ingredient Nystatin, we have inaugurated 3 new production flows for the Capsules Unit, and we have begun an important investment in the company research infrastructure namely, in a modern Medicine Evaluation Centre. Thanks to this acquisition the company will be able to perform modern bioequivalence studies by which to demonstrate that our generic medicines have the same therapeutical efficiency as the original ones and further more, that we could perform such studies for other companies from Romania and abroad. We expect this Centre to become an important figure in line with the requirements of the European pharmaceutical market, together with the integration of Romania in the European Union after 2007. We shall also mention that due to the achievements in 2005, the company has been granted ISO 9001:2000 Certificate, which confirms the performance of the quality management system in our company.

It is certain that Antibiotice Company is a lot changed today towards what it represented 5 years ago and totally different from 16 years ago. We wished and wish the company shareholders, partners and clients to acknowledge this fact.

2005 reached a climax by a beautiful anniversary semi-century jubilee. We celebrated 50 years of activity in December and on this occasion we introduced a new and modern corporate identity to sustain our brand mission and values and to reflect what Antibiotice has become today. The research performed within our public, within an extensive re-branding process developed in 2005, has shown that our partners, clients and consumers perceive Antibiotice as a well known company, with tradition and quality products, but it proved that not all of them have become aware of the

company latest changes. Nowadays we can introduce ourselves and communicate in a modern manner, also taking into account that the reputation of a corporate brand in the pharmaceutical industry depends both on the product manufacturing, quality standards respect, product development and promotion and on the communication of the organization values. Further more the things that we do every day in order to develop Antibiotice business, we wish that people become aware that we do it with science and soul and we try to be closer to them, always ready to offer our help when they need it.

We certainly not stop here and this is due to the fact that the results from 2005 oblige us. We shall continue in 2006 and in the next years to aim at performance and my message to the company shareholders, partners and also to our employees is that we shall constantly invest because it is the only way to be competitive. We'll continually invest to be in line with the international quality standards, in developing a modern product portfolio and we'll aim at the constant increase of the market rate. These are our strategic targets for the period to come. Speaking about investments, I shall mention also that we intend to focus our attention on the marketing, in highly trained human resources, in environment protection and not least in obtaining certification concerning the respect of the safety norms.

A major objective for 2006 will also consist in developing the international partnerships for the pharmaceutical product manufacturing for the national and international market. We all know that meanwhile, important changes have been recorded in the pharmaceutical market, important companies takeover Romanian companies, and that in this context, the pharmaceutical industry has become extremely competitive.

We are aware that, in the future, our financial results will largely depend on a successful privatization of Antibiotice Company, an expected privatization for 2006. Both I and my colleagues are ready to organize this important event in the life of Antibiotice Company, considering a decisive premise for its future success.

Company

Antibiotice, with science and soul committed to people



With a tradition of half a century in the pharmaceutical industry and with a complex portfolio of over 120 products covering 11 therapeutic classes, Antibiotice is the main producer of anti-infectious drugs in Romania.

Antibiotice is leader on the domestic market in the production of powders for injectable solutions and suspensions, leader in the production of ointments, gels, creams and suppositories and the only producer of active ingredients by biosynthesis.

Certified quality

The quality of the company products is attested by the main certification forms: Good Manufacturing Practice (GMP), The Certificate of Suitability to the European Pharmacopoeia (COS) and the Food and Drug Administration (FDA) aproval for US and Canadian markets.

The company has been recently granted the ISO 9001/2000 certificate for the Quality Management System, which certifies the efficiency and performance of the organization management system.

Portfolio

Our company portfolio comprises over 120 medicines produced on 9 manufacturing lines, all GMP certified, for obtaining 7 dosage forms (powders for injectable solutions and suspensions, capsules, tablets, ointments, gels, creams and suppositories) and the active ingredient Nystatin.

Profitable business

Investments in research, quality and technology modernization have turned Antibiotice into a profitable business, with a healthy economic increase. The constant upward evolution recorded during the last 5 years of activity reached a climax of a 5.4 million Euros net profit in 2005, 186% higher than the level reported in 2000.

Antibiotice - exporter in 40 countries

Antibiotice is one of the most prominent Romanian medicine exporters, its products being sold in more than 40 states around the world. In 2005, Antibiotice became the official offeror of medicines intended for anti-tuberculosis therapy, listed by the Global Fund, an important international organization fighting against AIDS, tuberculosis, and malaria.

Antibiotice brand

Antibiotice celebrated 50 years of activity with a new corporate identity. Since December 2005, the company has introduced a new logo and a new corporate slogan, meant to sustain the mission and the central values of the organization.

Modern and actual, the new visual identity reflects the accelerated process of modernization and retechnologization undergone by our company along the last 15 years. The last decade and a half has marked a new period of important investments in latest generation technology and equipment, in attracting and training of specialists and in implementing a qualitative management system at all the activity levels. Further more, the certification of the activity of the production lines at the international standards and the complex medicine portfolio at accessible prices, define a modern and competitive pharmaceutical producer at the national and international level.

In this context, redefining the organization mission and values represented a natural step for the adaptation at the

requests of an extremely competitive industry and underlines the excellent consolidation potential of the position occupied by Antibiotice Company in the Romanian pharmaceutical industry top.

The new corporate logo visually introduces our activity field - health - and communicates the determination to do more for improving the people health, according to the mission cherished - increasing the accessibility of therapeutically valuable medicines.

The slogan “Science and soul” emphasizes our company devotion to science, as a field of knowledge and also communicates a defining trend of our organizational culture - soul warmth.

Mission

We make our valuable medicines more accessible as a means of health caring of patients, physicians, and pharmacists. We always put our strength into the service of those who need our support.

Vision

The Hippocratic spirit that guides the practice of medicine and pharmacy, also guides our actions. We are honest, compassionate, and always concerned with modernizing our activity and products. We believe a valuable medicine is not necessarily an expensive one, but a medicine people can afford and brings the company a reasonable profit. A profit that satisfies our shareholders and allows us to aim at performance, permanently investing in people, technology, and carefully selected partnerships.

Values

We cherish efficiency, knowledge and the spirit of cooperation, which allow us to focus on the permanently changing needs of our customers and consumers.

Antibiotice in numbers:

- It ranks the 3rd place among the Romanian producers of medicines, on account of the market quota;
- It provides medicines to over 400 hospitals from Romania, being the most important Romanian producer of anti-infectious medicines;
- It is leader in the production of sterile powders for injectable solutions and suspensions as well as in the segment of ointments, gels and suppositories;
- It is the only Romanian company that produces antibiotics by the process of biosynthesis;
- It exports in over 40 countries from all the world continents;
- It occupies the 2nd position in the world in the production of Nystatin;
- It is quoted at the 1st category at Bucharest Stock Exchange, accumulating a market capitalization of almost 120 million Euros.

Management team



Ec. Ioan NANI
General Director,
Chairman of Board



Eng. Coca CAȘCAVAL, PhD
Marketing and International
Relationships Executive Director



Ec. Constantin NICUȚĂ
Financial-Accountant
Executive Director



Eng. Cornelia MORARU
Technical and Production
Executive Director



Eng. Minodor COJOCARU, PhD
Research Development Director



Eng. Lavinia DIMITRIU,
Quality Director



Eng. Eugen DIACONU, PhD
Business Development Director



Ec. Gica RUSU
Human Resources Director



Ec. Vasile CHEBAC
Commercial and Logistics Director



Eng. Mihaela BREZEANU
Public Relations Director



Eng. Florin OSADET
Engineering and Investment Director

Successes 2005

Year after year, we build a stronger company

A new corporate identity

Together with the celebration of the 50 years of activity, Antibiotice Company launched a new corporate identity. Since December 2005, Antibiotice has had a new visual identity and a new slogan, that communicate our mission and the company central values. The new visual identity of Antibiotice reflects the accelerated process of modernization and retechnologization that our company has undergone during its recent history.

COS Certification for the active ingredient Nystatin

In May 2005, the European Directorate for the Quality of Medicines (EDQM) released the Certificate for Suitability to the European Pharmacopoeia (CEP) number Ro-CEP 2003-096-Rev 00 for Nystatin. This new certification proves the high quality level of the active ingredient produced by Antibiotice, a quality also proved by Good Manufacturing Practice and Food and Drug Administration certificates that were previously granted for the same product.

ISO 9001:2000 Certificate of the Quality Management System

At the end of 2005, Quality Management System implemented by our company was certified according to ISO 9001:2000 Standard by LLOYD'S REGISTER QUALITY ASSURANCE, an organism accredited by UKAS Great Britain. ISO 9001:2000 Certificate attests that the company management system is competitive, always oriented towards developing quality, efficient and safe products that continually meet the requirements of our clients. Further more, this certificate confirms our constant preoccupation for activity improvement as concerning the whole functional structure of the company.

Starting the development of Medicine Evaluation Centre

Beginning the second half of 2005, the company started the development of the Medicine Evaluation Cetre, with a planned investment of over 1 million Euros. Medicine Evaluation Centre has as goal the performance of stage I clinical studies, particularly bioequivalence studies to demonstrate that generic medicines produced by Antibiotice lines have the same therapeutic effect and provide the same safety of administration as the innovative medicines.



Three modern production lines of antibiotics in capsules

During the first part of 2005 three modern lines for penicillin, non-beta-lactam and cephalosporines manufacturing were developed which determined the increase of the annual production capacity at 350 million capsules per year. This major investment of over 2 million Euros consolidates the company position on the pharmaceutical market, thus contributing to quality medicine production. On the other hand, the three modernized production lines represent an investment that supports the company objective of increasing the market quota and also, offers new collaboration opportunities with national and international companies interested in producing finished medicines under the form of capsules, internationally certified.

Good Manufacturing Practice re-authorization

In May 2005, The National Medicine Agency GMP recertified the line of conventional oral solid pharmaceutical forms (tablets) and the line of ointments, creams, gels and suppositories.

The Year of implementation of Management by Objectives (MBO)

Starting with 2005, Antibiotice implemented a new management system management by objectives seen as a systematic and organized approach of management. The activity of every unit of organization was conducted on the account of well defined objectives and oriented to achieve the best results starting from the available resources, aiming at increasing the performances of the whole organization.

The evolution of the Antibiotice shares on the capital market

Attractive opportunities for the investors

Ever since the first days of 2005, the investment in Antibiotice shares brought important gains to the investors. On February 22, 2005, as compared to the last transaction day of 2004, the investors have reached a return of 56% of the invested sum (at the values in lei).

The good results reached by the company during the latest years and essentially those reached in 2005 determined an increase of the price of shares dealt at Bucharest Stock Exchange, from 0.50 RON/share at the beginning of the year to 0.97 RON/share at the end of the year, which led to a market capitalization at the end of financial year concluded at 439 million RON (120 million Euros) as compared to 195 million RON (50 million Euros) at the end of 2004.

Upward trend for Antibiotice share price

During 2005, the share price had an upward trend, reporting a maximum value of 1.0100 RON on October, 20th 2005, mainly because of the upward evolution of turnover and profit and of the investors' confidence in our company.

Taking into account the positive results reached so far, and the programs to be developed during the next period, an upward trend of the share price is expected.

Indicators	UM	2002	2003	2004	2005
Maximum price	RON/share	0.2950	0.2400	0.5450	1.0100
Minimum price	RON/share	0.1010	0.1820	0.2250	0.5000
Average price	RON/share	0.2026	0.2151	0.3301	0.7820
Total dealt value	Million	17	10	19	45
Number of dealt shares		82,096,107	47,590,611	56,722,508	57,444,262

Capital increase

During the last year a capital increase was effected by 5,054,414 RON, by an issue of new shares, as a result of the dividend capitalization in relation to the financial year 2004. According to the decision of the Extraordinary Assembly of the Company Shareholders on June, 10th 2005, every shareholder received a share at the nominal value of 0.10 RON, at every 8 shares registered at the Shareholders' Register on the registration date June, 27th 2005.

Antibiotice in AVAS portfolio

At he middle of September 2005, according to a protocol concluded between the Ministry of Health and the National Authority for State Assets Recovery (AVAS), the latter one overtook the majority of 53.0173% of Antibiotice, aiming at company privatization during 2006.



Antibiotice shares, included in ROTX index of Viena Stock Exchange

Since October 20th 2005, Antibiotice belongs to the group of companies that participate at establishing ROTX index (the Romanian Traded Index) of Viena Stock Exchange.

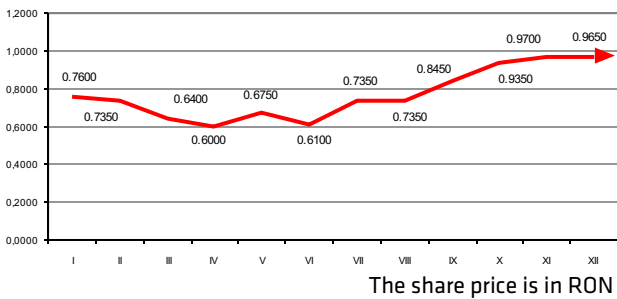
This decision was adopted by ROTX Committee made up of representatives of WBAG - Viena Stock Exchange, BSE Bucharest Stock Exchange, financial institutions which issued financial products having as support assets ROTX index as well as personalities from the academic field and experts.

Nowadays, a number of seven companies quoted at Bucharest Stock Exchange are monitored and evaluated in stock index ROTX.

The acceptance of Antibiotice in this index is determined by the stock capitalization, the large volume of transactions performed during 2005 and by the company financial and economic results.

The company from Iasi is included in ROTX index further to 7 local companies, respectively BRD-Group Societe Generale Bucharest, Carpatica Commercial Bank, Transilvania Bank Cluj Napoca, Impact Bucharest, Petrom Bucharest, Rompetrol Refining Constanta and Flamingo International Bucharest.

The evolution of Antibiotice share price in 2005



Product portfolio

Top medicines under Antibiotice brand

The development strategy implemented during the latest years offered a new valence to the concept of accessibility, cherished as a key element of our mission.

Being accessible does not mean only to manufacture medicines at a competitive price, but also to be closer to the patient, in hospitals, in pharmacies to offer a varied portfolio of therapeutic options effective for physicians and pharmacists.

“We make our valuable medicines more accessible to patients, physicians and pharmacists”.



Antibiotice portfolio has developed during the last two years by completing the range of anti-infectious medicines, on one hand - segment where we are market leaders with last generation products.

And on the other hand, the offer was enriched with medicines of high therapeutical value from the classes Cardiovascular System, Central Nervous System and medicines without prescription (OTC).

2005 was the year when the company succeeded in recently launching on the market several products, characterized both by their high therapeutical value and by a favorable market potential.

Modern anti-infectious medicines

The range of anti-infectious medicines was enlarged by introducing a few third generation injectable cephalosporins and beta-lactam antibiotic associations, as: Cefort® (ceftriaxonum), Ceftamil® (ceftadizimum), AmpiPlus® (ampicilin with sulbactam). Cefort® 2g has been produced since 2004 and belongs, together with Ceftamil® to the group of antibiotics indicated in severe infections.

AmpiPlus® an association of antibiotics from beta-lactam class, with an excellent safety profile, is nowadays the only generic medicine of the kind on the market.

The development in 2005 of a unique unit in Romania dedicated to oral cephalosporin production of new generation allowed obtaining appreciated anti-infectious medicines due both to their easy administration and to their proven efficiency in most frequent infections in the medical practice. From this category of medicines Antibiotice produces Eficef® (cefiximum) the only generic medicine on the market at this INN and Ceforan® (cefadroxilum).

The company has also laid the basis and developed a portfolio on anti-infectious therapy by introducing products from the class of quinolones - Ciproquin® (ciprofloxacinum), Norfloxacin, Ofloxacin with a high rate in the annual turnover.

The sales of anti-infectious medicines determined the consolidation of Antibiotice as anti-infectious segment leader, reporting in 2005 an increase by 22%, as compared to the average market increase of only 6%.

The cardiovascular system and the CNS, two classes recently approached by Antibiotice

The new medicine launch for the therapeutical classes of Cardiovascular System and Central Nervous System is an important direction for Antibiotice product portfolio. The products introduced in these groups are generally under the form of conventional tablets and coated tablets, the rate of sales in the turnover increasing from 2.03% in 2003 to 8.75% in 2005.

The main products on the market from the cardiovascular class are: Sinopryl® (lisinoprilum) (indicated in the arterial hypertension, cardiac insufficiency and miocardium infarction treatment) and Simcor® (Simvastatin), Simcor®, an inhibitor, indicated in coronary diseases and for patients with an increased risk (for hyperglycemia disease, peripheral vascular diseases and cerebrovascular diseases).

K-alma® (tramadolium) used as analgesic in moderated and severe pain treatment (postoperative, in oncology and neuralgia) is a valuable pharmaceutical product in nervous central system class, recently introduced in Antibiotice portfolio.

OTC medicines, a priority for 2005 and for the years to come

Taking note of the constant increasing trend for OTC medicine consumption in the European countries, in 2005, Antibiotice intensified its marketing activity for this category of medicines.

In Antibiotice portfolio, the following medicines have been added during the last two years:

- nutritional supplements: Equilibra®, capsules (nutritional supplement with magnesium and Vitamin B₆) and Fezivit® capsules (nutritional supplement with zinc and Vitamin C);
- cosmetics: Rutoven® cream, Lavoderm® cream (antiacneic product), Cutaden® ointment;
- OTCs: Rubifen® gel (anti-inflammatory product), Ibufen® tablets (anti-inflammatory product).

Quality management

Quality at international standards

Maintaining the quality standards that we assumed years ago is an objective aimed by all of us.

As a company committed to people, devoted to the improvement of their health and life, we are permanently concerned with doing better what we do.

2005 meant to us a very important year concerning quality and the successes achieved by the Quality Department are a proof in this sense:

- We have been granted the Certificate for Suitability to the European Pharmacopoeia for the active ingredient Nystatin;
- We have been granted GMP Certificate for the three new antibiotic capsule production lines and we have been re-authorized for the production of injectable products, ointments, creams, gels and suppositories and for the tablet production line;
- We have been granted ISO 9001:2000 Certificate for the Quality Management System.

The strategy of Antibiotice Quality Direction aimed at consolidating the total quality management, in view of conforming to the requirements imposed by the close integration in the European Union.

The total Quality Management is a management philosophy integrating all the company activities for the objective fulfillment of offering quality, efficient and safe medicines.

Applying the principles of the total quality management, the managers and all the company employees are equally involved in the continuous improvement of the manufacturing process of the products, having as final goal the consumers' satisfaction and implicitly, the increase of business profitability.

COS Certificate for Nystatin

The European Directorate for the Quality of Medicines (EDQM), an organism of the Council of Europe, released in favour of Antibiotice Company the Certificate of Suitability to the European Pharmacopoeia for the active ingredient Nystatin, obtained by biosynthesis. Our company is the only Romanian producer of active ingredients produced by biosynthesis.

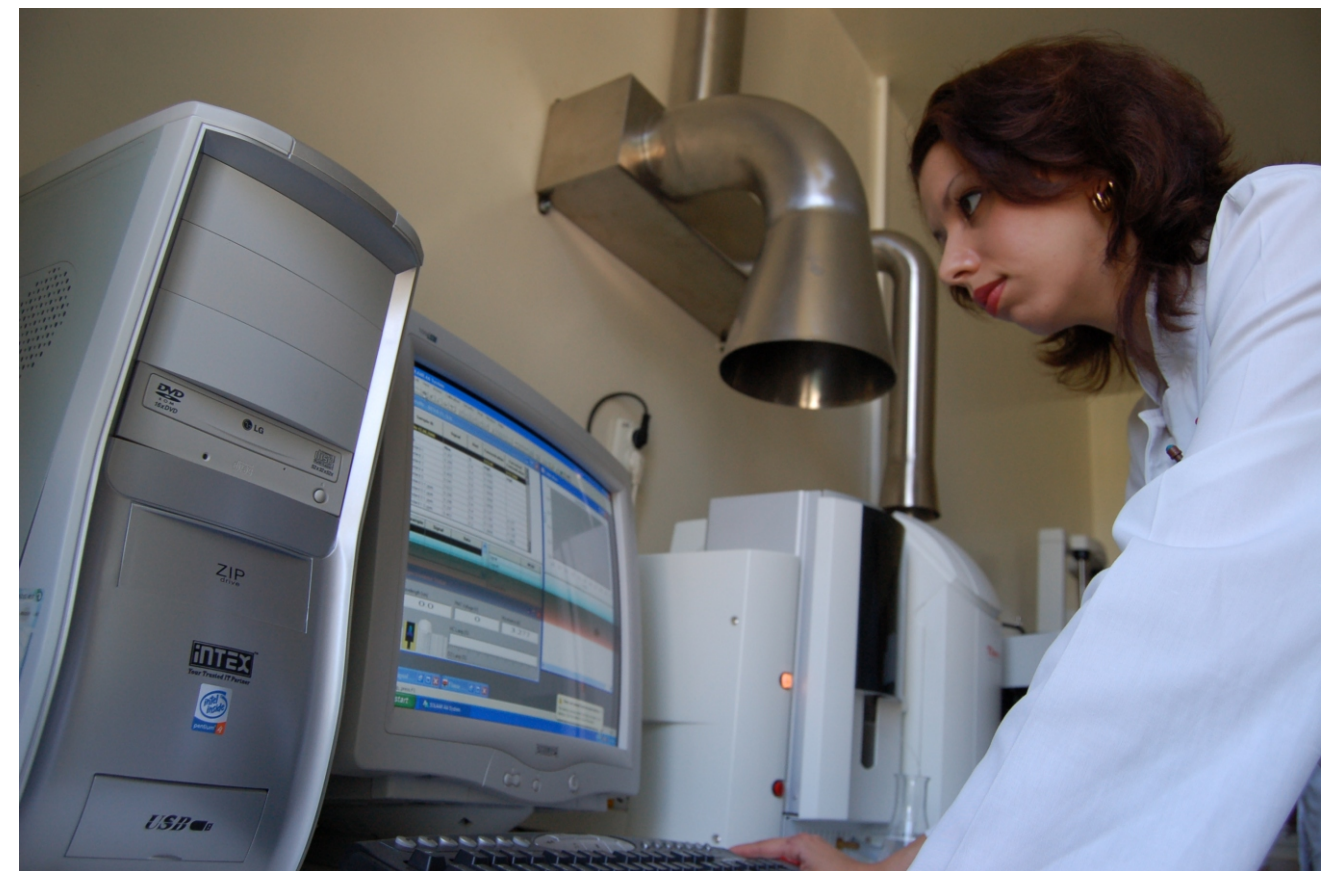
This new certificate proves the high quality level of the active

ingredient produced by Antibiotice, a quality also confirmed by Good Manufacturing Practice and Food and Drug Administration certificates previously obtained for the same product.

GMP Certificate and Re-authorization

In May 2005, the National Medicine Agency conducted the Good Manufacturing Practice inspection for GMP Certificate granting of the three new antibiotic units in the forms of penicillin, non-penicillin, cephalosporin oral solid capsules as well as for the re-authorization of solid form units for the production of parenteral products, ointments, creams, gels, suppositories and tablets.

GMP certificates released in 2005 have a three year validity and reconfirm the management concern for the company compliance to the international quality standards.



ISO Certificate for the Management Quality System

As a component of the integrated Management System of the Company, the Quality Management System was certified according to ISO 9001:2000 standard by Lloyd's Register Quality Assurance, an organism accredited by UKAS, Great Britain.

ISO 9001:2000 Certificate attests that the company management system is highly efficient, permanently oriented towards performance in order to produce quality, efficient and safe products meeting our customers' requirements. Moreover, this certificate confirms our constant concern for the activity improvement at all company organizational structures.

Documentation concerning quality for the new company structures

During 2005 a documentation was prepared and checked for the units: Medicine Evaluation Centre (Bioequivalence) and Pharmacovigilance / Medical Consultancy - new structures lately NMA certified at the beginning of 2006.

The documentation development for Microproduction Unit also represented a special concern taking into account including this unit production activity in ISO 9001:2000 Certificate. This step was concluded in February 2006 by the inspection and the Certificate granting for product for the aluminum tubes and caps manufactured at Antibiotice.

Investments for the modernization of the quality control laboratories and for the consolidation of respecting GMP requests

Aiming at aligning at GMP requests concerning the space and equipment suitability for the microbiological determinations, re-establishment and modernization works have been developed for the Laboratory of Microbial Contamination

Control, the Laboratory of Microbiologic Activity Determination and the Laboratory of Culture Media Preparation. At the same time the re-location and modernization works of the Pharmacodynamics Laboratory started.

The company has also completed the Quality Control laboratories with new laboratory equipment which guarantee the checking of the quality parameters imposed by European Pharmacopoeia (penetometer, atomic absorption spectrometer, total organic carbon determination device).

In order to improve the quality of the compressed air for biosynthesis, its filtration system was replaced by a filtration system comprising pre-filters and FDA certified pharmaceutical filters.

Aiming at improving the storage places, separate areas were developed for the reception, sampling, personnel flow, quarantine and storage prior to the delivery to the warehouses of the production units for the penicillin and cephalosporin active ingredients. The space disposal is carried out so that to ensure the strict separation of the penicillins from the cephalosporins.

During 2005 along with the quality component of the integrated Management System, the components of environment and security and occupational health according to ISO 14001:2004 and OHSAS 18001:2004 were implemented, focusing on the performance improvement by the strict control of the impact of all company activities and by offering high quality products, without affecting employees' security and health or the environment and the properties nearby the company.

Competitive on the domestic drug market

Incontestable leader on the segment of anti-infectious medicines

Perhaps there is no hospital from those over 400 existent in Romania where the physicians would not use Antibiotice medicines. Always trying to offer the physicians, the pharmacists and the patients access to the quality means in order to improve the state of health, Antibiotice succeeded in becoming a company with quality products, accessible by prices and by the diversity of therapeutical areas approached.

“We believe that a valuable medicine is not necessarily an expensive one, but one that people can afford to buy”.

For our company, the evolution of Romanian pharmaceutical market in 2005 meant:

- Increasing the market quota from 2.9% to 3.2% and maintaining its position among the first 10 medicine producers from Romania;
- consolidating its leading position in anti-infectious medicine production by introducing new therapeutically valuable medicines on the market;
- ambitiously approaching new market segments, with an attractive financial potential as that of cardiovascular and OTC medicines.

On an extremely dynamic evolving domestic market Antibiotice holds the 9th position in the top of ten first producers, by a market quota of 3.2%. The increase of the market quota from 2.9% in 2004 to 3.2% in 2005 presents Antibiotice as one of the companies with the highest rate of turnover increase on the domestic market 31.26%. In 2005, the human use medicines had a quota of 87% of the company turnover.

New anti-infectious medicines consolidate its leading position on this segment

The main field in which Antibiotice excels is the systemic use anti-infectives, by a quota of 56% of the company sales on the domestic market.

For the component of injectable use sterile powders, Antibiotice holds the leading position in Romania, with a market quota expressed in physical units of 80% and in value of 12.25% higher by 9.7% than the previous year.

The upward sales evolution in 2005 is due both to the consumption of traditional antibiotics (Penicillin, Oxacillin, Ampicillin), but particularly to the promotion of new product portfolio: injectable cephalosporins of third generation, represented by Cefort® (ceftriaxonum), Ceftamil® (ceftadizimum) and penicillins with beta-lactam inhibitors - AmpiPlus® (ampycilin with sulbactam).

The sales for cephalosporins reached a total volume of almost 2 million units, consistently increasing as compared the previous year.

Antibiotice advanced in the producers' top of anti-infectives in capsules

The second component of systemic use anti-infectives is represented by the pharmaceutical form of capsules, segment for which Antibiotice advanced one position in the top, reaching the third position at the end of the year. On this



segment Antibiotice reported an increase of 7.5% in physical units and 26% in value. The sales increase is also due to the new product promotion: oral cephalosporins of second and third generation - Ceforan® (cefadroxilum), Cefalexinum, Eficef® (cefiximum), but also traditional medicines classical antibiotics in large dosage forms (Ampicillin, Amoxicillin, Oxacillin).

TBC programme

In 2005, in the group of systemic use anti-infectives Antibiotice has also consolidated its position as partner of the Ministry of Health for the national programme of Tuberculosis control and treatment, being the unique provider of the whole range of anti-tuberculosis products of first intention: Sinerdol® (rifampicinum capsules), Sinerdol® ISO (rifampicinum with isoniazidum), Strevital® (injectable streptomycin), Pyrazinamid tablets, Ethambutol tablets, Isoniazid tablets.

Important increase of the market quota on the segment of creams, ointments and suppositories

A second field where Antibiotice holds the leading position is represented by that of topical use dermatological preparations class: creams, ointments, gels and suppositories. It is for these pharmaceutical forms that Antibiotice holds the leading position with an increase of value market quota of 36% for suppositories and of 45% for ointments. The products that consolidated the company position on this segment, determining the increase of turnover were the products without prescription: Fluocinolon ointment, Nidoflor®, Hermozon®, Indometacin ointment and suppositories, Phenilbutasone cream and suppositories. OTC (over the counter) product sales had an important role: Clafen® (diclofenacum) cream and suppositories, Glycerine suppositories, which led to an increase of the group profitability.



A new approach - cardiovascular system and CNS medicine promotion

In 2005 a special attention was paid to the new product promotion belonging to two therapeutical classes intended to the increased rate diseases: cardiovascular system and central nervous system. The products included in these groups are generally conditioned under the form of conventional tablets and coated tablets, the sales in the total rate of turnover increasing from 2.03% in 2003 to 8.75% in 2005. The main products from these groups that are on the market are: Sinopryl® (lisinoprilum), Simcor® (simvastatin), K-alma® (tramadolum).

Antibiotic penetrated OTC medicine market

The segment of the OTC products without prescription (over the counter) and of the nutritional supplements were prioritary for Antibiotic in 2005. Noticing the constantly increasing trend of OTC medicines in the European countries, Antibiotic intensified its marketing for this category of medicines. The result was an increase by 51% of the sales on this segment as compared to the previous year, OTC medicine sales in the total rate of turnover reached 16,6% in 2005.

Marketing activity re-organization

According to the expansion of the product portfolio and to the company objective of sales increasing, the marketing activity was re-organized by enlarging the promotion team and its orientation towards well defined targets. Thus, three divisions were made up:

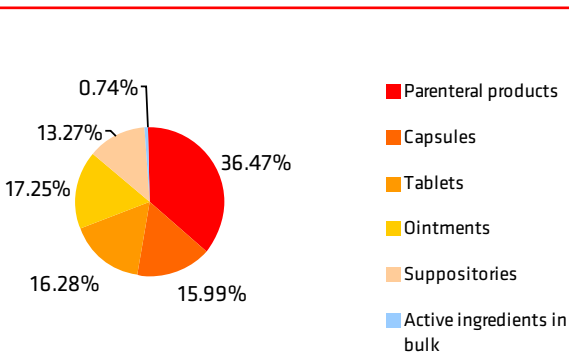
- Hospital division, with a team of 14 medical representatives coordinated by a Business Unit Manager;
- Retail medicine division with Rx prescription, with a team of 36 medical representatives, coordinated by 6 Area Sales

managers and by a Business Unit Manager;

- Retail division of OTC products, with a team of 12 commercial representatives coordinated by a Business Unit Manager.

The marketing activity is coordinated by three Product Managers holding responsibilities in establishing strategies on the three therapeutical areas approached - anti-infectives, central nervous system and cardiology.

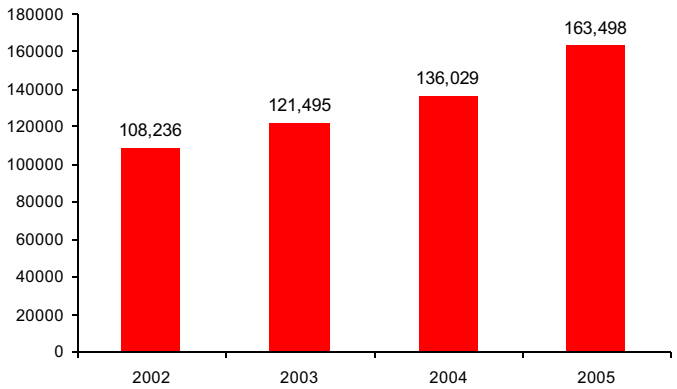
The company sales on their pharmaceutical form, 2005:



Highlights Business development dynamics

(thousands RON)	2002	2003	2004	2005
Turnover	108,236	121,495	136,029	163,498
Operation revenues	116,114	120,667	134,648	164,867
Operation expenses	98,508	102,355	122,904	138,523
Operation profit	18,103	18,312	16,893	26,344
Financial revenues	1,209	1,314	3,536	1,653
Financial expenses	4,881	3,549	2,852	4,272
Financial profit	(3,672)	(2,234)	684	(2,620)
Gross profit	14,431	16,078	17,577	23,725
Net profit	11,328	11,863	12,425	19,679
Number of employees	1,801	1,797	1,753	1,650
Work productivity	60,098	67,610	77,598	100,921
Receivables, of which	61,525	77,775	82,977	98,496
domestic	54,070	68,425	76,672	94,858
external	7,455	9,350	6,305	3,638
Domestic receivables recovery duration (days)	200	231	236	217
Bank credits, of which:	17,887	21,424	21,593	29,964
For operating capital	12,531	16,919	18,986	25,481
For investments	5,356	4,505	2,607	4,483

The evolution of the company turnover (2002 - 2005)



The numbers are in thousands RON

Active on the international market

Export in over 40 countries

We are constantly focusing our attention on the ever changing needs of our clients and partners. The business relationships that we achieved during tens of years proved that besides the value of Antibiotice products, our company partners trust our quality and our specialists' professionalism. Thus, the medicines under Antibiotice brand are presently used by patients from over 40 countries around the world.

The year 2005 meant for Antibiotice the continuation of the upward trend for the export, a fact underlined by the number of the new markets recently gained, and by the variety of the finished products delivered in various areas on the globe. At the end of 2005, our company reported over 50 external partnerships, having 40 products under Antibiotice brand registered in countries in almost all the world continents.

Nystatin export represented 87% of the company turnover reached on the external market in 2005

The turnover of Antibiotice product export on the external markets reached 7,25 million USD in 2005, as compared to that reached in the previous year. From this value 87% was ensured by the sale of the active ingredients achieved by biosynthesis, a market segment in which Antibiotice had an experience and an international presence of over 30 years. The main marketed product on the external market, Nystatin, reported an increase of sales of 45% as compared the previous year.

The increase of Nystatin sales was determined by:

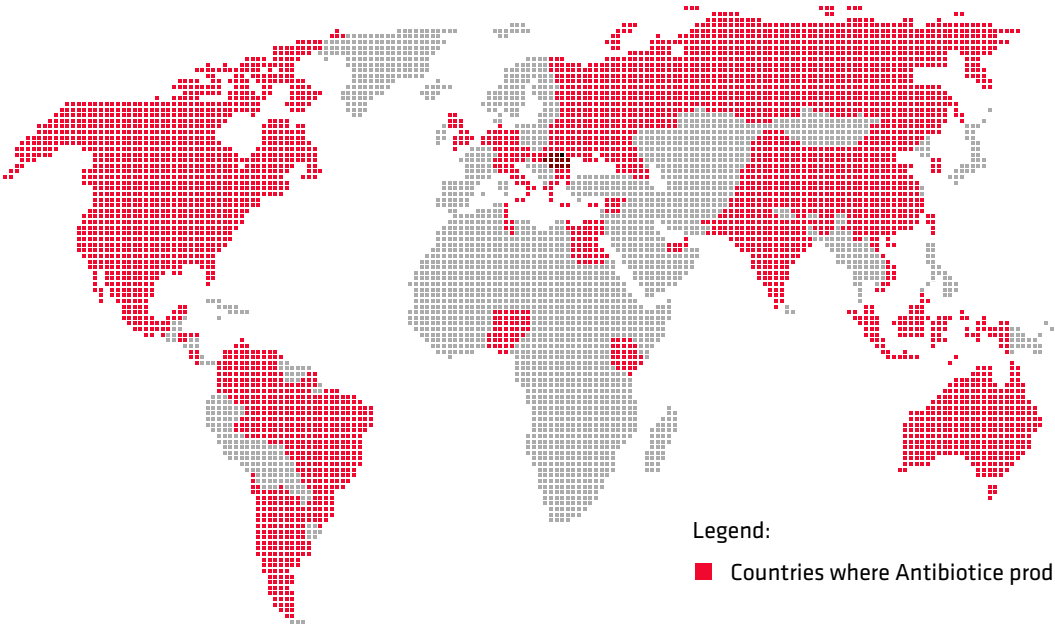
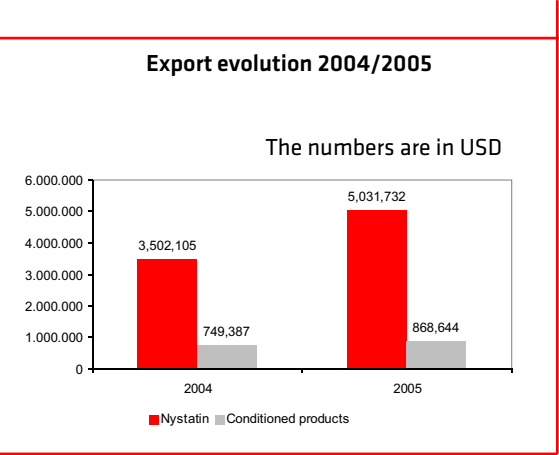
- offering a product in accordance with the last editions of the international quality standards (European Pharmacopoeia, the 5th edition, American Pharmacopoeia USP 29);
- being granted the Certificate of Compliance to the European Pharmacopoeia (EDQM);
- the possibility of providing the clients the registration documentation according to the latest international regulations (part opened by Drug Master File in CTD format).

The number of partnerships for Nystatin sale increased to 42

The year 2005 meant an increase in the number of customers who tested and bought Nystatin produced at Antibiotice, from 32 partners to 42. The collaborations initiated on new markets - Syria, Egypt, Kenya, Jordan and those on the traditional markets Russia, Belarus, India materialized in sales exceeding 500.000 USD.

The Certificate for Suitability to European Pharmacopoeia granted in 2005 represented an important step in the product promotion on the European market, being also developed Nystatin authorization procedure for final prominent consumers from France, Italy and England.

The export activity organization of active ingredients on strategic markets and areas facilitated Nystatin promotion for the product final users. In 2005 the active ingredients were oriented towards the main strategic areas and markets, such as: United States of America, Canada, Europe, Russia and CSI states, Asia and Oceania.



Legend:
■ Countries where Antibiotice products are present

15 new products internationally registered

Conditioned product export reported an increase of 16% in 2005 than the previous year. Antibiotice added in 2005 another 15 certificates of registration to the international brands and concluded new partnerships with 4 states in the North of Africa.

Export management of the conditioned products was structured on strategic areas and markets, the main geographical areas being: Europe, Russia, CSI states, Asia and Africa.

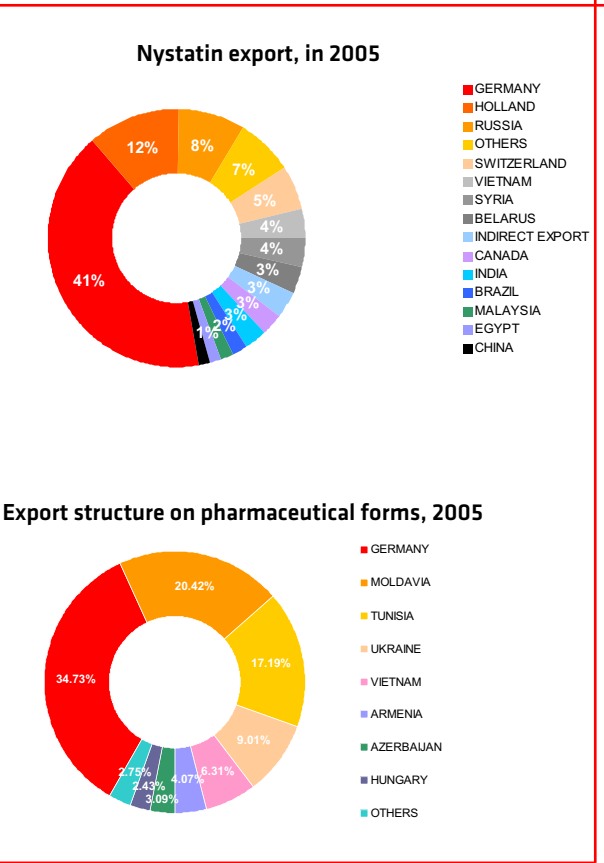
In Europe, the registration files for Cefort 1gr, 2gr (Hungary) were sent and the registration documentation for Ampilplus 1,5gr and Ceftamil 1gr, 2gr for Polish and Czech markets was prepared.

The result of the promotion campaign in Asia, Africa consisted in the registration of 9 products and the conclusion of 4 new partnerships in Algeria, Morocco, Lybia and Mongolia.

Another important element of the promotion activity in this area consisted in the penetration on the Tunisian market as a result of winning an auction organized by Pharmacie Centrale de Tunisie last year. Another prominent project in this area was partnership development on Vietnamese market, the sales in this area increasing by over 5 times.

For Russia and CSI states in 2005 the activity was concentrated on obtaining the marketing authorizations, being granted 10 registrations (Nystatin tablets 500.000 IU, Rifampicin 300 mg, Rifampicin + Isoniazid capsules, Cefort 1 gr, Moldamin 2400000 IU, Claflen 1% gel) in 6 states (Armenia, Georgia, Kazakhstan, Russia, Ukraine, Uzbekistan).

Concerned by developing strategic partnerships with important international organisms, Antibiotice became in 2005 the official medicine offeror for tuberculosis treatment listed by Global Fund, an international organization acknowledged in fighting against AIDS, tuberculosis and malaria eradication.



Technic Production

The most complex manufacturing structure in Romania

With a tradition of 50 years in the pharmaceutical industry, Antibiotice is acknowledged as the Romanian medicine producer with the most complex manufacturing structure. On the 9 company production lines, modernized and certified according to the international standards, over 120 human use medicines falling into 11 therapeutical classes, in a wide range of pharmaceutical forms and 20 veterinary use medicines are produced.

The year 2005 is a reference year for Technical and Production Direction by:

- the launching of three new units for the production of oral capsules, from penicillin, non-beta-lactam and cephalosporin therapeutic classes.
- modernization of Tablets Unit for GMP re-authorization
- producing new medicines of a high therapeutical value. Along with the latest generation pharmaceutical anti-infectives, Antibiotice added to its portfolio medicines from cardiovascular, central nervous system, musculo-skeletal classes and medicines without medical prescription, that consistently enrich the addressability area of the company portfolio.

“We continually invest in people, technology and carefully selected partnerships”

The production entirely performed on the production capacity GMP (Good Manufacturing Practice) certified was concentrated in 2005 on the manufacture of:

- bulk active substances obtained by biosynthesis (Nystatin, Vitamin B12) and semisynthesis (Oxacillin). Antibiotice still remains the only Romanian company that produces antibiotics by biosynthesis;
- pharmaceutical forms: sterile powders for injectable solutions and suspensions, capsules, conventional and coated oral tablets, ointments, suppositories.

International collaborations at Biosynthesis Unit

At Biosynthesis Unit, some collaboration with companies from abroad was concluded, consisting in laboratory research and industrial implementation of a new Nystatin biosynthesis technology, with very good results. For Good Manufacturing Practice and Food and Drug Administration compliance, a new system for the sterile filtration of the technological air was purchased.

Parenteral Product Unit introduced new generation cephalosporins

In Parenteral Product Unit 39 pharmaceutical products meaning about 45 million vials with sterile powders for injectable solutions were produced. This unit production concentrated to medicines containing new active ingredients from latest generation cephalosporin class, requested in the medical units in quantities higher than the previous years. Among these Cefamil® (ceftadizimum) 0.5g, 1g, 2g, Cefort® (ceftriaxonum) 0.5g, 2g.

Three new units dedicated to the production of oral products in capsules

During the first half of 2005, three new units for the production of oral capsules from penicillin, non-beta-lactam and cephalosporin classes were inaugurated, which determined the increase of the yearly production capacity by 350 million capsules/year.

This important investment of 2 million Euros consolidates our company position on the Romanian market, providing the possibility of producing highly therapeutical and high quality capsules, in compliance with the requirements of the European Pharmacopoeia. This investment also opens the way to collaboration with national and international companies interested in producing medicines in capsules on modern production lines, according to the international standards.



This year, products that enlarge the addressability area of medicines from Antibiotice portfolio have been introduced. There are medicines from the central nervous system class, as K-alma® (tramadolium) 50 mg and the nutritional supplements as Equilibra®, (Mg and Vitamin B₆) and Fezivit C® (Fe, Zn + Vitamin C).

New medicines at Solid Oral Tablets Unit and Ointments and Suppositories Unit

At Solid Oral Tablets Unit, in 2005 the tablets production technologies by the method of wet granulation were modernized, by including in the technological cycle the new equipment. New products such as Rubifen® (Ketoprofen) 100 mg for treating diseases of musculo-skeletal system and Simcor (Simvastatin) 20 mg, a medicine from the cardiovascular system class, were introduced in production.

Within the Ointments and Suppositories Unit the improvement of the production formulas in order to obtain new high quality products was continued. This year new medicines from the ointments class were introduced in production, as a result of the activity of the research department. There are Mastoprofen® (progesterone) 1% gel, Saliform Forte® (Methylis salicylas + mentholum) cream, Rubifen® (Ketoprofen) gel and Cloviral® (Acyclovirum) 5% cream. The range of suppositories was completed by Rubifen® (Ketoprofen) 100mg.

Research Development

New medicines of high therapeutical value

We constantly want to enrich the product portfolio with new valuable products and to permanently increase the company market quota. Therefore, the research-development activity concentrated on formulating new quality generic products was another major direction towards which we directed our efforts in 2005.

“We value efficiency, knowledge and spirit of cooperation”

This year the research-development activity was concentrated towards some main directions: technological development, attracting experienced specialists (pharmacists, chemists, physicians, engineers, physicists) and focusing on therapeutical areas with added value (as in the case of medicines for cardiovascular system, nutrition disease and hyperglycemia treatment).

We do it in order to offer the access to quality, safe and efficient medicines to patients, physicians and pharmacists, in this way accomplishing the noble mission that we assumed.

Research and formulation of 20 high therapeutical value medicines

The products researched in 2005 were selected in relation to the following criteria: novelty to the therapeutic field, the expiration date of the innovating molecule patent, the proven efficiency and safety and the increasing request for these products in the medical field.

Thus, in 2005:

- 14 medicines are waiting for authorization at the National Medicine Agency (NMA), among which Glipizid EP 30mg (anti-diabetic medicine), Amlodipina 5mg, 10mg; Simvastatin 40mg; Lisinoprilum 20mg, 40mg (cardiovascular medicines), Alprazolam 0.25mg and 0.5mg (anxiolytic medicine), Naftifinum, Terbinafinum, Betametazona (dermatologic medication);
- 6 medicines were formulated in the final stage, and will be sent to evaluation at NMA during 2006 (among these: Carvedilol, Fosinoprilum, Glimepirid, batametazone associates).

Investment in fitting up the Analytic Control Laboratory

In 2005, Antibiotice invested almost 1.9 billion ROL in fitting up the Analytic Control Laboratory from the Research-Development Department of the company, which allowed to research and formulate some products similar to the innovating product.

By the governmental programme of increasing the performance of the industrial products, Antibiotice was the recipient of an unredeemable financial support granted by the state budget, which materialized in instruments and latest generation equipment in order to perform the analysis methods requested by European Pharmacopoeia and other pharmacopoeias in force (USP, BP).

Thus, in the Analytic Control Laboratory of the Research-Development Department the pharmaceutical formulas were projected, the optimum composition was selected and their stability was observed and the production processes were developed at the level of pilot-laboratory.



The final result consisted in the increase of the new product performance by optimizing the formula and by releasing the active substance in various pharmaceutical forms in order to obtain solid finished products (tablets, capsules, powders for parenteral administration) and semisolids (ointments, creams, suppositories) in compliance with European Pharmacopoeia.

Pharmacovigilance waiting for National Medicine Agency authorization

Starting with 2000, the legislation imposed to every Romanian medicine producer to implement a proper monitorization system of the pharmaceutical product safety. Consequently, the producer becomes responsible for the safety of the medicines launched on the market and guarantees the adoption in any circumstance of the corresponding measures.

Antibiotice is one of the first Romanian producers that created the necessary organizational infrastructure for the monitorization of the safety of the medicines, an infrastructure that allows collecting, validating and analyzing the information about their undesired effects.

The arrangement of the new space for the Pharmacovigilance activity and drawing a standard file in 2005 had as a result the certification of Pharmacovigilance Department by National Medicine Agency in February 2006.

Updating the medical information for the documentation authorization of medicines in CTD format

In order to draw up the documentation authorization of medicines in CTD format (Common Technical Document), which allows the access on the regulated markets from Europe and USA, the Department of Pharmacovigilance and Medical Consultancy of our company developed a vast updating activity of the medical information concerning the product portfolio. Therefore, the information has been centralized and synthesized with reference to the pharmacotoxicological characteristics, the therapeutical particularities and the clinical data for the medicines authorized to be marketed. The updating of the authorization documentation of medicines in CTD format will be continued during the first semester of 2006.

Business development

A Healthy business Efficient, safe and quality products

We believe that a generic medicine is as good, efficient and quality as an innovative one. We permanently work to consolidate the pillars which support the quality attributes of the Antibiotice products and we are looking for the best ways of developing the business in a healthy way. It is a principle that grounds our organization philosophy.

“We are honest, human and concerned with the modernization of our activity and products”

The activity of our specialists from Business Development Department concentrated in 2005 on four important directions:

- Elaborating the registration documentation of medicines in accordance with the European norms;
- Developing the Medicine Evaluation Centre, in which to perform bioequivalence studies to prove the generic medicine efficiency;
- Developing and diversifying the activity of Biosynthesis Pilot;
- Elaborate and implement the environment strategy in order to obtain ISO 14001 Certificate in 2006.

Authorization documentation of medicines in European CTD format

The harmonization of the national legislation in relation to medicines with the requirements and norms of the European Union determined the beginning of a vast and complex update of the medicine authorization documentation according to a new format internationally acknowledged, respectively Common Technical Document (CTD) format. This activity to be finalized at the end of 2006 provides new opportunities for selling the Antibiotice medicine on the regulated markets from Europe and United States of America.

In 2005, the activity of the Regulatory Affairs Department meant:

- drawing up and submitting with the National Medicine Agency for 14 files to be authorized concerning the new research products and developing 9 CTD format files in order to be authorized once again;
- drawing up the standard files for GMP certificate for three new units dedicated to the production of oral capsules and Tablets Unit re-authorization;
- obtaining the Certificate of Suitability (COS) for Nystatin.

Bioequivalence of Antibiotice medicines, proven in its own Evaluation Centre

Starting with the second half of 2005, Antibiotice started to equip and modernize the Medicine Evaluation Centre, investing over 1 million Euros.

The goal of the Medicine Evaluation Centre was generated by the necessity of performing phase I clinical studies and essentially bioequivalence studies, as a proof that the generics produced by Antibiotice have the same therapeutic value and provide the same safety of administration as innovative (brand) medicines.

During 2005 a first phase from the centre modernization project was carried out, by the location arrangement and the equipping with last generation technical equipment of the



analytical unit. The equipment of the second unit, the clinical unit, and the training of a team of specialists will be finalized in 2006.

In 2005, an efficient system of quality assurance was also carried out, allowing further in April 2006, obtaining Good Laboratory Practice Certificate for the bio-analytical studies laboratory.

The activity of carrying out bioequivalence studies continued in 2005, by bioequivalence studies for 20 pharmaceutical products, of which 14 bioequivalence studies in vivo and 6 studies in vitro.

Biosynthesis Pilot obtained finance for the Project of Modern Technologies of Statin production

In 2005 the technology of a new biofertilizer Ecofertil was adopted at the pilot level. It was authorized and introduced in production at the beginning of 2006. The second product - Azofertil - was manufactured in 2005 on a new equipment, technologically modernized.

During 2005 a research project was carried out under the name of Modern Technologies of Statin Production (hypolipemiant and cardiovascular medicines), a project co-financed by the Ministry of Economy and Trade during 2006 2007.

Engineering and Investment

Priorities: quality, research, environment

At the investment level, we also maintained in 2005 the same upward trend as in the previous years, performing investments in a total value of 15.5 million RON. Our priorities consisted in:

- The re-technologization and modernization of the production and storage spaces;
- Environment protection;
- Investments in the facility areas aiming at reducing the operation costs.

The main investment objectives were developed as a result of the immediate technological necessities both for the necessary upgrading for the compliance with GMP and FDA requirements of the production lines (Parenteral and Tablets) and for the implementing ISO 9001 quality standard in December 2005.

The Medicine Evaluation Centre

One of the most important investments of 2005, of over 1 million Euros, was The Medicine Evaluation Centre carried out according to Good Laboratory Practice (GLP) and Good Clinical Practice (GCP) norms. It is placed on a surface of 1300 sq. m. with finishes and equipment specific to the medicine industry, according to the legislation in force in compliance with the European norms.

Environment protection

In 2005 the works at the Company Cleansing Station continued which led to the final step for these operations, and during the first part of 2006 technological tests and its effective performance would be work out.

This investment objective was performed according to the company policy of environment protection aiming at the compliance with the legislation of the European Community concerning the environment. At this moment the waste waters drained in the town sewage system respect the requirements imposed by the legislation, respectively the N.T.P.A. 002 -2002 requirements.

Investments in the utilities

For the utility production new equipment was purchased and inaugurated, allowing a consistent decrease of the energetic consumption. Economies of over 16% at gas and of over 73%



Photo: The new Cleaning Station of the company Antibiotice

at electricity than the specific consumption in the old boilers have been reported.

As a result of the modernization and re-organization program of the facility production and distribution on the company platform, in 2005 the utility consumption reduced by: 15% at gas, 20% at electric power and of 26% at water. The registered economies are the result of the investments performed during the last years at the air, steam and cooling agent production plants.

Other investments

A second production line for the aluminum tubes was purchased and inaugurated. The investment allows carrying out all the primary package necessary to the production of ointments, creams, gels on the company platform with an important reduction of acquisition costs. In December, the activity was audited and included in the certification of the quality management system according to ISO 9001/2000 requirements.

At the same time, laboratory instruments were purchased for the Research-Development and Quality Departments as well as another independent equipment, for the good activity of these departments.

Commercial and Logistics

Performance and carefully selected partnerships

The Commercial and Logistics Department contributed to the continuous improvement and increase of the company economic efficiency indicators, providing the technical-material basis necessary for the activity in 2005. This was achieved by concluding contracts and orders in order to provide the annual necessary of raw stocks and materials, with respect of the established consumption norms. Thus, raw stocks and materials of 22.4 million RON were acquisitioned from the domestic market.

Efficient relationships with the suppliers

In the relationship with the suppliers, the acquisition function is based on the respect of a well defined deontology in the company policy.

In 2005, there was an expansion of the database containing the suppliers, having a wider offer than the previous year. The market studies led to the identification of new suppliers that meet our requirements concerning the price and quality of the products ISO and GMP certified. The performances of the accepted ones were permanently monitored by audit reports, reports of the observance visits and inspections at the product acceptance. In 2005, the average crediting duration for suppliers increased by 40% than 2004.

Supply in optimum conditions

For 2005, the Commercial and Logistics Department had as objective providing the optimum technical-material base necessary to the optimum performance of the production processes and the identification of the possibilities of discounts at acquisition of raw stocks and materials. In this sense, there is a constant concern for:

- the precise identification, in time of the necessities and of the specifications of the purchased product;
- the cost evaluation of the purchased product in relation to the performance, price and product delivery;
- the audit of the suppliers' operations on site;
- the optimization of the transport expenses on the relationship sales supply.

Achievements 2005

The acquisition of raw materials in the necessary quantities was achieved according to the standards imposed by the quality norms, and consequently managed to sell the stocks of raw materials without movement or with a slow motion in time. In 2005, stocks of 386 thousands RON were sold. At the same time, the adaptability degree at the changes occurred on the relationship sale production supply increased by:

- concluding contracts (with 85% with our suppliers) in



more advantageous conditions than in 2004 (we worked with authorized suppliers, the payment times were extended, and the prices were stable);

- optimization of the number of suppliers and partners by accepting the suppliers with a wider offer, with a decrease of transport expenses (reducing the price on km by 19%).

Providing quality in transport

The transport of the raw materials performed by the Supply Department provided the conditions for the production achievement, and the transport of the finished products performed by the Sales Department tried to meet our customers' requirements.

In this sense, in the logistics of transport for 2005, we aimed at:

- the modernization of the company auto park and put out of service and the selling of the wear and tear vehicles;
- decreasing the expenses by reducing the price per kilometer run as compared to the previous year.

Collaboration among departments

The efficient collaboration among the Transport Department and The Departments of Purchasing Domestic Suppliers, Import Export and Sales led to an increase of the Park Utility Coefficient by 10% and the reduction of transport price without any load. Aiming at providing quality products and services at lowest possible costs, by the transport logistics in 2005, we have achieved:

- the decrease by 10% of the indicator price/km run, reaching an economy of 227 thousands RON;
- to register modern vehicles for the transport of liquid chemical products and for the medicines that need special transport conditions (ointments, suppositories, etc);
- performing all the repair operations and all the specialized consultancy with our own personnel.

Continuous investment in valuable people

2005 was the year of the implementation of the management by objectives as a systematic and organized approach of the managerial problems.

The main objective of the department of the Human Resources Management for 2005 consisted in the increase of human resources performance aiming at the achievement of the proposed objectives. This was performed by attracting and maintaining the human resources in the important fields of the company and by the continuous training policy of the employees.

“We mutually acknowledge our mission and value, and it is what binds us and gives us the strength to overstep the limits and obstacles”.

MBO implementation

The management by objectives consists in a set of procedures that suppose, at the beginning, establishing the objectives at all hierarchical levels and continues by performing the actions, the periodic monitorization and by the performance evaluation.

The objectives aimed at exploiting the opportunities, in accordance with the Antibiotice company mission and vision. MBO implementation also led to other actions in the Human Resources Management, respectively:

- updating of the job records for the management and executive personnel;
- periodic evaluation of the objective achievement of the personnel involved in MBO;
- a new reward and motivation system depending on the MBO performance.

Performance increase

The main objective of the Department of Human Resources management for 2005 was “the increase of human resources performance aiming at achieving the objectives for 2005, both for the executive departments and for the company general objectives”. For this purpose, two strategies of action were established:

- the employees' motivation, including the strategies of attracting the personnel and maintaining them in the organization by adequate rewarding systems;
- Personnel development, including the training strategies in order to successfully accomplish the responsibilities, job evaluation, job record update and performance evaluation.

These strategies became effective in the following major projects:

Attracting specialists

In 2005 a number of 75 people with superior training were attracted in the company in fields such as: Marketing Promotion, Research Development, Pharmacovigilance, Production, and Quality.

Of the total number of 1624 employees, 390 (24%) have superior training in: Medicine, Pharmacy, Biology, Chemistry, Physics, economy, IT, Engineering, Socio-Human and others. Among these, 4% are doctors of science.

Training and development

The Development Project of human resources considered training programs for each department, according to the needs identified for every organizational structure and tight relationship with the changes in the legislative and in economic system. We support and encourage the company employees to permanently adapt and update their knowledge and abilities necessary to reaching the proposed objectives.

The training programs were structured on two main directions:

- Professional and GMP training, with internal lecturers, according to the system procedure released by the Department of Quality Assurance and the annual



programme of every organizational structure, both for the specialists with medium training and for the productive personnel;

- other training forms, with external lecturers, for 13% of the specialized personnel with superior training.

The external training by short time courses aimed as a main field the quality assurance with special interest in training concerning the aseptic processing according to the latest guide released by E.M.E.A. and new international guides available in the medicine industry ICH Q8 (Pharmaceutical Development) and ICH Q9 (Quality Risk Management), trainings performed by inspectors PIC/5, FDA, EMEA, representatives of the international regulatory authorities and specialists in the pharmaceutical industry, research development, quality control and quality assurance.

Another priority field of trainings was pharmacovigilance, aiming at learning the planning methods and drawing up the clinical and pre-clinical documentation in CTD format, according to the European and international regulations.

A special attention was also paid to the training focused on the implementation of the integrated management system ISO 9001/ ISO 14001/OHSAS 18001:1999 in the company as well as trainings in the financial accounting field, internal and external marketing, marketing research, brand positioning, strategic promotion and Win-Win negotiation techniques, customer psychology, Labour safety, judicial field.

Job evaluation

The job evaluation became effective by their description, analysis and hierarchisation on the following groups of factors: educational requirements, knowledge, competences and experience, responsibility, physical and intellectual effort, working conditions.

Performance evaluation system

New patterns for the evaluation sheets in case of personnel belonging to management and executive departments were formulated, in order to provide an increased involvement and motivation of the employees and the results hierarchisation are to be performed in 2006.

For the first time in 2005, the system of evaluation at 360° including the managers' evaluation by the employees was introduced.

A Reliable Company

With a Soul, Close to the People

One of the essential features of our organization is closeness to people and the involvement with a sense of responsibility into the life of the community. As people, we care for the people around us and make efforts to help them when they need us.

As in the previous years, in 2005 Antibiotice company actively involved in the life of the local and national community, supporting social and humanitarian projects and helping people in need. To the same extent, the people of the company considered us a priceless resource of energy and value for the organization benefited from company's permanent attention and support.

"We care for the ones around us and we always try to help them".

The Power of Good Deeds

One of the most important programs run in 2005 by Antibiotice was focused on the support provided to the fellow men and women of those areas of the country that were affected by floods.

Around Easter time, the company helped the Romanians of the Western part of the country (Timis county) to overcome more easily the hardships they faced. Our company sent them strictly necessary medicines amounting to EUR 3,000 and food and money amounting to lei 10,000 RON.

Other donations were provided to the victims of the disasters of Bacău, Vrancea and Galați counties, who were left without houses and goods after the serious floods of July 2005. The donations were made both by Antibiotice and its employees and amounted to 100,000 RON.

Children Day is Mine, Yours, Everybody's!

In the spirit of the tradition, Antibiotice company made in 2005 a party for the employees' children. On June the 1st, the celebration was special, being dedicated to all the children of Iasi and mostly to the children whose houses were torn by floods in Timis county. Our employees' children made a public appeal to the other children of Iasi to offer together toys and a gleam of joy to the unfortunate on Children's Day. The messages left in the toy packages were moving and were sent to their friends of Timis the same day.

A Happier Easter for the Old

For the second consecutive year, on the Easter, the representatives of Antibiotice brought a gleam of hope and joy to the socially assisted seniors admitted in the Seniors' House of Sculeni, Iasi county. The 35 chronic patients of this centre received as a gift from Antibiotice company packages with traditional food and the warmest wishing for a Happy Easter.

Visits and Practice Stages for Students

For our company, the young people are a very important segment of the community in which we live and we work. To know each other better and to help them learn more about Antibiotice and the pharmaceutical industry, the door of our company is open to them permanently. The documentation visits and the practice stages of pupils and students in our



company play an important part in the range of activities we conduct for the local community. Among the young people who come to us, there are pupils and students from the specialized high schools and faculties of Iasi and the region: "Radu Cernătescu" Chemistry High School, Pharmacy College of Galați, "Gr. T. Popa" University of Medicine and Pharmacy, "Al. I. Cuza" University of Iași - the Faculty of Chemistry and the faculty of Economics and Business Administration, "Gh. Asachi" Technical University of Iași - the Faculty of Industrial Chemistry and the Faculty of Automatic Control and Computers.

Antibiotice provides pupils and students with the opportunity to get familiarized with the specific character of a company producing medicines. They can find out also how they can build a successful career in the professional field they have chosen.

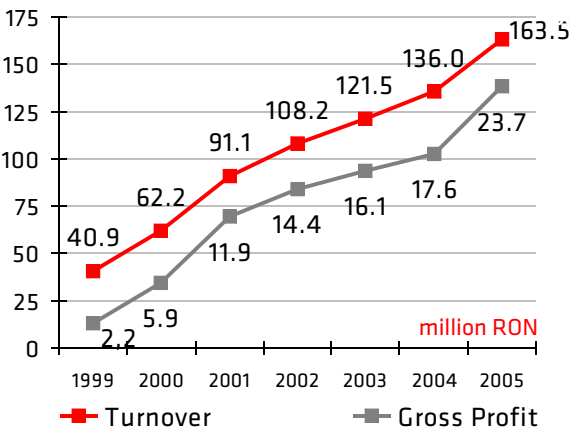
Financial Results in 2005

Sound Profitable Growth

The efforts of the whole Antibiotice team materialized at the end of 2005 in a turnover of 163.5 million RON, increasing by 20% as compared to 2004.

The gross profit afferent to the concluded year was 23.7 million RON, by 35% higher than the gross result reported in the previous year, obtaining an economic profitability of 14.5% shown by the gross profit ratio and the turnover.

Evolution of turnover and profit 1999-2005



The operational income was 164.9 million RON, being made out of:

- sale of products - 162.3 million RON
- sale of merchandise - 1.2 million RON
- other income - 1.4 million RON

Analyzed, the operational income afferent to 2005 underwent no significant changes. The main weight is held by the group of raw materials and materials that is 36.5% of the operational expenses, compared to 2004 recording their light reduction.

Reduction of Expenses with Raw Materials and Utilities

The reduction of raw materials expenses is largely due to the manufacturing structure and to the influence purchasing reduction prices for imported raw material as the exchange rate got lower.

As the turnover increased compared to the previous year by 27.5 million RON, in 2005 we see a cut in raw material expenses by 6 million RON.

Compared to 2004, the consumption of utilities reduced as follows: by 15% for methane gas, 20% for power and by 26% for water. The savings made with the utilities came as a result of last years' investments in the air, steam and cooling production installations.

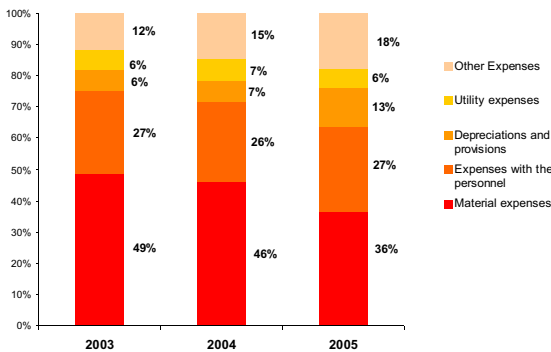
Operational Income Increasing by 56%

The operational result was on December 31, 2005 26.3 million RON, 56% higher than the previous year. The operational profitability got to 16% compared to 12% in 2004.

The financial income was 1.7 million RON, a significant value obtained from the favorable differences of exchange rates afferent to debts and obligations in foreign currency.

The financial expenses were 4.3 million RON, out of which expenses with bank interests afferent to credits were 1.4 million RON and negative differences of exchange rates summed up 2.8 million RON.

Operational Expenses



Net Profit Increasing by 58.9% as Compared to 2004

At the end of 2005, the company obtained total income of 166.5 million RON, is total expenses of 142.8 million RON. Hence, it resulted a gross profit of 23.7 million RON increasing by 34.7% compared to 2004. After the calculation of the profit tax, the company had a net profit of 19,7 million RON, increasing by 58.9% compared to the previous year that was after that distributed according to the provisions of the Government's Ordinance no. 64/2004.

Compared to 2004, the main items of assets and liabilities evolved as follows:

Fixed assets increased by 5.6% as new fixed assets were commissioned, new investments in reengineering were made and further to the action of reevaluation of the fixed assets performed at the end of the year according to the International Quality Standards.

Circulating assets increased by 16.8% mainly as a result of the increase of credits from 83 million RON to 98.5 million RON against the background of inventories value reducing from 23.8 million RON to 22.2 million RON.

Cash Flow Influenced by Payback Difficulties

Commercial receivables and first due receivable from medicine distributors were a problem for Antibioice in the last years. Although asked about it, the Ministry of Health, the National House of Health Insurance and the Ministry of Finances found no solution to settle this matter.

Therefore, the company cash flow in 2005 was the same as in the last years, it was negatively influenced by the failure to allot in due time the financial funds to the sanitary system.

To these values, there are added a series of compensations made according to the regulations in force, of 18,456,369 RON.

However, the company liquidities improved in December 2005, further to the allotment of supplementary funds by the Ministry of Finances for paying upon deadline the due obligations of the medical units.

Thus, the current debts reduced by 6.8%, the absolute value of debts that must be paid within a year being 54.4 million RON.

On December 31, 2005 the company had paid all the budget obligations. During the concluded financial year, the company transferred to the state budget obligations amounting to 28.1 million RON.

The Debt Ratio Decreased by 14.4%

The debt ratio of the company (determined as a relation between total debts and equity capital) was on December 31, 2005 of 39.2%, and at the end of the previous year it was 53.6%. Therefore, the debt ratio decreased by 14.4% in 2005 compared to the previous year.

Book Net Asset, Higher by 22%

The company equity capital (book net asset) increased by 22.3% from 117.4 million lei in December 2004 to 143.6 million RON in December 2005.

Quick Ratios Got Appreciated

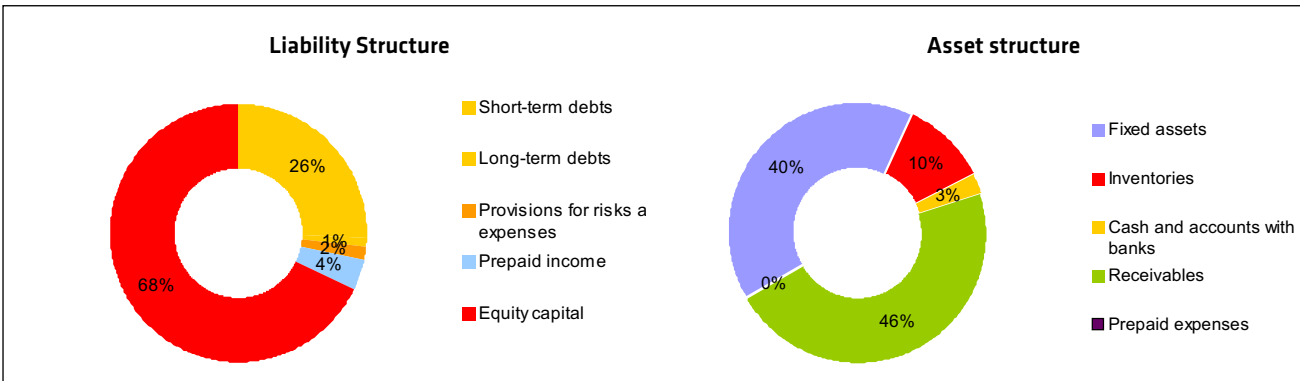
The financial-economic policies adopted in 2005 determined the improvement of the company quick ratios. Therefore, the general quick ratios increased from 1.8 in 2004 to 2.3 in 2005, and the immediate quick ratios from 1.4 in 2004 to 1.9 in 2005.

Economic-Financial Ratios

ITEMS	VALUE (million RON)		%
	31.12.2004	31.12.2005	
Fixed assets	81.0	85.6	+5.6
Circulating assets	108.0	126.2	+16.8
Current debts	58.4	54.4	-6.8
Long-term debts	4.4	1.8	-59.1
Provisions for risks	1.2	3.6	+200.0
Prepaid income	7.7	8.4	+9.1
Equity capital	117.4	143.6	+22.3

The actual encashment made by the company during the year was 142,931,553 RON, out of which:

from operations	137,207,264 RON
from investments	1,103,844 RON
from financing	4,620,445 RON



Intermediary Administration Balances

(RON)	31.12.2005	31.12.2004
Sale of merchandise	1,226,573	1,380,656
Expenses with merchandise	(807,664)	(1,109,053)
Commercial margin	418,909	271,602
Sold production	162,271,174	134,647,859
Stored production	84,400	2,812,573
Fixed production	199,708	139,418
Production of the financial year	162,555,282	137,599,850
Commercial margin	418,909	271,602
Other purchases and external expenses	(72,785,126)	(72,774,133)
Added value	90,189,065	65,097,320
Operational subsidies	-	-
Expenses with the personnel	(37,663,125)	(31,644,999)
Taxes and fees	(795,254)	(711,421)
Gross operational excess	51,730,686	32,740,900
Income from operational provisions	4,131,299	51,690
Other operational income	1,085,174	815,998
Expenses with depreciation and operational provisions	(22,220,278)	(9,037,525)
Other operational expenses	(8,382,516)	(7,678,179)
Operational result	26,344,365	16,892,884
Financial income	1,652,932	3,536,034
Financial expenses	(4,272,442)	(2,851,956)
Current result	23,724,855	17,576,961
Extraordinary income	-	-
Extraordinary expenses	-	-
Gross result of the financial year	23,724,855	17,576,961
Profit tax	(4,046,194)	(5,152,274)
Result of the financial year	19,678,651	12,424,687

Profit and Loss Account

(RON)	2005	2004
Net turnover	163,497,747	136,028,515
Sold production	162,271,174	134,647,859
Income from merchandise sale	1,226,573	1,380,656
Variation of creditor balance stocks	13,494,253	12,731,829
Variation of debtor balance stocks	(13,409,853)	(9,919,256)
Fixed production	199,708	139,418
Other operational income	1,085,174	815,998
I. Operational income	164,867,029	139,796,504
Expenses with raw materials and consumables	(48,867,197)	(54,758,921)
Other material expenses	(843,608)	(629,304)
Other expenses (with power and water)	(8,197,793)	(8,344,195)
Expenses with merchandises	(807,664)	(1,109,053)
Expenses with the personnel	(37,663,125)	(31,644,999)
Adjustment of the value of corporeal and incorporeal fixed assets	(15,027,772)	(7,044,456)
Adjustment of the value of circulating assets	(660,394)	(741,379)
Other operational expenses	(24,054,298)	(17,431,313)
Adjustment of risk and expense provisions and regulated provisions	(2,400,813)	(1,200,000)
Operational expenses	(138,522,664)	(122,903,620)
Operational result	26,344,365	16,892,884
Financial income	1,652,932	3,536,034
Financial expenses	(4,272,442)	(2,851,957)
Financial result	(2,619,510)	684,077
Current result	23,724,855	17,576,961
Total income	166,519,961	143,332,538
Total expenses	(142,795,106)	(125,755,577)
Gross result	23,724,855	17,576,961
Profit tax	(4,046,194)	(5,152,274)
Net result of the financial year	19,678,661	12,424,687

Balance Sheet of the Financial Year 2005

(RON)	2005	2004
A. Fixed assets		
I. Non-tangible Fixed Assets	520,512	77,373
Concessions, patents, licenses, trademarks, rights and similar values	112,688	77,373
Advances and non-tangible fixed assets in course	407,824	
II. Tangible fixed assets	85,068,645	80,898,160
Lands and buildings	55,999,055	48,413,804
Technical installations and machinery	16,934,476	18,309,286
Other installations, equipment and furniture	382,894	460,485
Advances and tangible fixed assets in course	11,752,220	13,714,585
III. Financial fixed assets	7,106	7,106
Titles as marketable securities	1,500	1,500
Titles held as fixed assets	640	640
Other receivables	4,966	4,966
Fixed assets - Total	85,596,263	80,982,639
B. Circulating assets		
I. Stocks	22,225,818	23,778,827
Raw materials and consumables	8,525,313	10,214,023
Production in course	2,048,397	1,930,294
Finished products and merchandises	11,525,635	11,559,830
Advances for stock purchase	126,473	74,680
II. Payables	98,496,131	82,976,615
Commercial payables	95,080,890	81,385,416
Otrher payables	3,415,241	1,591,199
IV. Cash and accounts with banks	5,437,188	1,191,279
Circulating assets - total	126,159,136	107,946,721
C. Prepaid expenses	65,338	207,801
D. Debts that have to be paid in more than one year	54,405,204	58,483,297
Sums owed to credit institutions	28,329,962	20,723,563
Advances collected for orders	4,911	-
Commercial debts	18,006,622	23,190,668
Other debts, including tax debts and other debts for social security	8,063,709	14,569,066

(RON)	2005	2004
E. Circulating assets, respectively net current obligations	71,819,222	49,667,258
F. Total assets minus current obligations	149,006,512	122,993,260
G. Debts that must be paid in more than one year	1,825,211	4,434,342
Sums owed to credit institutions	1,634,250	869,131
Other debts, including tax debts and other debts for social security	190,961	3,565,211
H. Provisions for risks and expenses	3,600,813	1,200,000
I. Prepaid income, out of which:	8,409,022	7,660,604
Subsidies for investments	8,408,973	7,656,637
Prepaid income	49	3,967
J. capital and reserves		
I. Capital, out of which:	45,489,729	40,435,315
Paid subscribed capital	45,489,729	40,435,315
III. Reserves from reevaluation <u>credit balance</u> <u>debtor balance</u>	30,027,368	25,263,471
IV. Reserves	60,368,353	45,664,027
Legal reserves	5,003,562	3,821,774
Other reserves	55,364,791	41,842,253
V. Reported result <u>credit balance</u> <u>debtor balance</u>	7,695,038	5,996,105
VI. Result of the exercise of the creditor balance <u>credit balance</u> <u>debtor balance</u>	19,678,661	12,424,687
Profit allotment	19,678,661	12,424,687
Total equity capital	143,580,488	117,358,918
Total capitals	143,580,488	117,358,918

Cash flows

(RON)	2005	2004
I. Cash flows from operation		
Cash collection from good sale and service provision	137,207,264	122,043,448
Cash collection from royalties, fees, commissions and other income	5,081,669	168,676
Cash payment to good and service providers	(78,252,582)	(72,523,469)
Cash payment to and in the name of the employees, payments made by the employer regarding the personnel	(38,706,156)	(35,578,460)
Value-added paid fee	(675,658)	(701,971)
Other taxes, fees and assimilated payments	(3,830,853)	(4,242,496)
Cash generated by operation	20,823,685	9,165,728
Collected interests	22,404	108,945
Paid interests	(1,302,652)	(809,822)
Paid profit tax	(5,095,243)	(5,452,825)
Net cash flows from operation	14,448,194	3,012,026
II. Cash flow from investments		
Cash collection from sale of lands and buildings, installations and equipment, incorporeal assets and other long-term assets	-	-
Cash collection and payment from other investments	1,103,844	4,141,920
Cash collection from advance and loan payback	-	-
Cash collection from procuring land and fixed assets, incorporeal assets and other long-term assets	(16,966,396)	(11,425,430)
Collected dividends	89,100	62,100
Net cash flow from investments	(15,773,452)	(7,221,410)
III. Cash flow from financing		
Collection from long-term loans/paybacks	1,875,537	(1,749,912)
Collection from short-term loans/paybacks	6,495,982	2,066,648
Payments for financial leasing operations	(717,015)	(380,516)
Paid dividends	(1,757,399)	(1,359,967)
Net cash flow from financing	5,897,104	(1,423,748)
Effects of exchange rate variation afferent to cash and cash equivalences	(325,937)	2,099,195
Cash flow - total	4,245,909	(3,533,937)
Cash and cash equivalences at the beginning of the period	1,191,279	4,725,216
Cash and cash equivalences at the end of the period	5,437,188	1,191,279

Auditor's Report

We audited the balance sheet of the trading company Antibiotice SA (called hereinafter the company) drafted on December 31, 2005 and the profit and loss account, the cash flow statement and the statement of the total asset changes for the financial year concluded this date. The financial statements enclosed are the responsibility of the company management. Our responsibility is that, based on the performed audit, we should express an opinion on them.

We made the audit in compliance with the Audit Standards issued by the Chamber of Auditors of Romania, which are based on the International Standards of Audit and consequently we used tests of the accounting recording and other audit procedures, as we considered necessary in such circumstances. The mentioned audit standards impose the planning and the performance of the audit such as to obtain a reasonable ensurance regarding the lack of any material errors in financial statements. Auditing means the examination by sampling of the evidence that justifies the sums and the information contained in the financial statements. The auditing of financial statements means also the evaluation of the accounting principles used and the examination of how they are presented. We think that the audit performed provides a reasonable base for expressing our opinion.

The profit and loss account of the 2005 financial year includes expenses with provisions for unused fixed assets amounting to 3.7 million RON and expenses with interests afferent to debt scheduling for employer's contribution to social security and employee' contribution to the unemployment fund amounting to 2.2 million RON, paid in 2005, afferent to the previous financial years.

In our opinion, except for the descriptions of paragraph 3, the financial statements of Antibiotice SA were drafted properly, with all significant aspects, in compliance with OMFP No. 94/2001 for the approval of the "Harmonized Accounting Regulation with the 4tyh Directive of the EEC and with the International Accounting Standards" and OMFP No. 1827/2003 and OMFP No. 1775/2004 regarding the change and the completion of some regulations in the field of accounting.

We also inform you that:

- ANAF is currently performing the control of the company financial debts. To this respect, sums such as increases and penalties regarding the debts with the state budget may be seen further to the mentioned control.
- The contracts of operational leasing for cars have the characteristics of the financial leasing contracts meeting the criteria provided in IAS 17 - Leasing. The registration of the leasing contracts according to IAS 17 leads to an increase of the net value of the tangible fixed assets by 856 thousand RON and to an increase of the value of debts in the relation with the leasing contracts amounting to 421 thousand RON.
- The amount of 2.5 million RON representing expenses with compensatory wages, benefits and other expenses with the employees was recorded under item "Expenses with damages, donations and assets assigned".
- The company recorded 142 thousand RON as net value of fixed assets taken out of service, based on the Law



15/1994, by diminishing the equity capital. The application of the accounting standard IAS 16 tangible fixed assets that provides the recognition in the costs of the current period of the net value of the fixed assets taken out of service, would lead to the diminishing of the result of the financial year by 142 thousand RON.

- As the legislation based on which the financial statements were performed does not provide for the application of the IAS 28 Investments in Associated Companies, the investment in Pharma SA, where the Company has 30% of the authorized share capital, is presented as procurement cost.
- The financial statements reflect all the requirements of OMFP no.94/2001, less IAS 29, "Financial Reporting in Hyperinflationary Economies". The Company operated in previous times in an economy characterized as being hyperinflationary. One of the main effects of the hyperinflation process is that one can no longer compare the information contained in financial statements. Thus, the statement of the non-monetary items in historical values leads to the undervaluation of the net asset of the Company. The reevaluations made by the Company in previous periods diminish the effects previously mentioned. The company will draft another set of financial statements that will later be made available for users, that would include adjustments of the financial statements in compliance with IAS 29.

BDO Conti Audit
Bucharest, April 4, 2006

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