

THE MANAGEMENT REPORT FOR THE 1ST SEMESTER OF 2008

Annual report according to:	OMF 1752/2005
For the financial exercise:	June 30 th 2008
Date of report:	August 14 th 2008
Name of the trading company:	ANTIBIOTICE SA
Registered office:	Iasi, 1 Valea Lupului Street
Phone number:	0232/220040, fax: 0232/211020
Fiscal registration code:	R01973096
Order number in the Register of Commerce:	J22/285/1991
Regulated market on which the immovable values are issued:	Exchange Stock Bucharest
Subscribed and deposited share capital:	45,489,729 lei
The main characteristics of the transferable securities issued by the trading company: nominal shares, nominal value:	0.10 lei

The company's results on June 30th 2008 represent the effort made by the management and the employees of the company in view of accomplishing the provisions from the budget of incomes and expenses, as well as the observance of the GMP norms, so that the medicines are more accessible as a means of health care for the patients, physicians and pharmacists.

The main objective of the first semester of 2008 was the establishment of the balance between the current tendency of increasing the prices for the raw material on the international market, the costs of the utilities, the staff

and the accomplishment of the main indicators: the turnover, the market share and the rate of productivity.

1. The financial-economic situation

a. Balance elements

For the performance of its activity, the company disposed on January 1st 2008 of a self capital reaching 246, 25 million lei, capital which registered until June 30th a 1% increase, amounting to a value of 248, 91 million lei.

The value of the main groups of assets reflected in the patrimonial situation has known the following evolution:

- million lei-

Situation of assets	January 1 st 2008	June 30 th 2008	Deviation %
Fixed assets, from which:	164,10	162,74	-0,83%
- intangible assets	1,77	2,02	+14,12%
- tangible assets	162,33	160,69	-1,00%
- financial assets	0,008	0,031	+381,26%
Current assets, from which:	180,77	208,31	+15,36%
- stocks	21,75	36,76	+69,01%
- receivables	122,33	165,07	+34,94%
- cash and accounts at banks	36,69	6,48	-82,35%

The stocks, as elements of the current assets, registered a 69,01% increase induced by the organization of the production in order to assure the deliveries of finished products from the period of general revision in August.

The company's receivables registered a 34,94% increase as opposed to the beginning of the year as a consequence of the delay of the receivables within the sanitary system. The intermediate duration of receivable encashment was, in the first 6 months, 240 days.

The total debts of the company on June 30th 2008 were 112,13 million lei as opposed to 88,09 million lei at the beginning of the year, these debts being covered by the current assets of the company.

The attracted capital on June 30th 2008 was 112,13 million lei, while, on January 1st 2008 its value was of 88,09 million lei, as it follows:

Situations of attracted capital	January 1 st 2008	June 30 th 2008
Bank credits, out of which:	53,44	56,66
- short term credits	51,30	55,19
- long term credits	2,14	1,47
Commercial debts	25,43	31,25
Other debts, including fiscal debts, out of which:	9,21	24,22
- short term debts	7,55	22,57

- long term debts	1,66	1,65
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The attracted capital on June 30th 2008 amounting to 112,13 million lei provided the completion of the funds needed to develop the activity in normal conditions. This fact led to the registration of a degree of liability determined as a proportion between the borrowed capital and the 22% invested capital.

The *commercial debts* amounting to 31,25 million lei register a 5,82 million lei increase; the main share in the commercial debts is represented by the debts to the raw material suppliers, this increase being registered on the grounds of the big purchases made during the first part of 2008 in order to provide the raw material needed for the production.

The group of accounts representing "Other debts, including fiscal debts" registers an increase of the account balances from 9,21 million lei to 24,22 million lei. On June 30th 2008, the company doesn't register residual debts to the state's budget.

b. Profit and loss account

The turnover registered by the company was obtained by the exploitation of the finished products on the domestic market (84%), as well as on the external market (16%).

The value of the net turnover at the end of the period January - June 2008 was 107,32 million lei, by 5,27% higher than that which was accomplished during the same period of the previous year. The increase of the turnover was sustained mainly by the increase of the sales on the external market.

The total incomes reached 119,69 million lei while the total expenses registered the value of 99,76 million lei, resulting a raw profit of 19,94 million lei, 16% lower than the one registered during the same period of the previous year.

Analysed in their structure, the exploitation expenses have, in general, the structure of those from the first part of the previous year:

Situations of expenses	June 30 th 2007		June 30 th 2008	
	value	%	value	%
Expenses on raw material, materials and merchandises	29,8	33,6	33,6	34,5
Expenses on energy and water	4,0	4,5	3,8	3,9
Expenses on the staff	24,2	27,3	29,4	30,2
The adjustment of the value of the amortization, current assets and provisions	2,7	3,0	6,8	7,0
Other expenses from the exploitation	28,0	31,6	23,8	24,4
TOTAL EXPENSES FROM EXPLOITATION	88,7	100	97,4	100

More important structural modifications register the expenses on the raw material, on the materials and on the merchandises, where they notice an increase from 33,6% to 34,5%; on the world market of the pharmaceutical active substances there can be noticed massive price increases with direct influence on the decrease of the profit rate. The increase of the expenses on the staff from 27,3% to 30,2% is motivated by the increase of the average wages on economy.

c. Cash - flow

The level of the cash and of the cash equivalences at the beginning of the period was 2,2 million lei. The cash receipts from the exploitation activity amounted to 85,4 million lei, at which they add the value of the compensations performed by the company with different clients and suppliers amounting to 25 million lei. The payments in cash to the suppliers of goods and services amounted to 46,7 million lei, and the payments to and on behalf of the employers regarding the staff amounted to 30,4 million lei.

At the same time they made payments in cash of 4,93 million lei, representing VAT, profit tax, other taxes and duties, local taxes and bank interests.

Out of the investment activity they made payments of 4,6 million lei for the purchase of the fixed means.

Out of the financing activity they reimbursed 0,68 million lei for long term credits and they supplemented the credit line on short term with 3,1 million lei as well as dividend payments amounting to 0,07 million lei.

At the end of the period the level of the cash and of the cash equivalences was 4,9 million lei.

2. The analysis of the company's activity

On June 30th 2008 the Antibiotice Company owned a portfolio of 142 medicines of human use which covered 85 I.C.N.s from 12 therapeutic classes and 20 medicines of veterinary use, 84% of the company's business being developed on the domestic market, 16% representing the sales on the external markets.

The sales of the Antibiotice's pharmaceutical products on the domestic market in the first part of this year confirm the constantly ascendant evolution that the company has registered lately.

As opposed to the first six months of the year 2007, the share of the Antibiotice trademark medicines sold on the pharmacy segment increased from 83% to 87%, while the sales on the hospital segment are still constant, registering a small decrease because of the tendencies within the pharmaceutical market (liberalization of national health programs, modification of lists of compensated products).

The medicines with medical prescription maintained constant their share in the company's turnover (82% - similar to the 1st semester of 2007), while the OTCs cumulate 18%.

The Antibiotice Company was present during the first half of 2008 on 12 therapeutic classes. The novelty is represented by the therapeutic class of Solvents for Parenteral Use, where beginning with this year, Antibiotice assimilated into its portfolio two products: *Distilled water* and *Normal saline solution*.

The best evolution in the whole portfolio of the Antibiotice Company was registered by the Cardiovascular System class (+30%), by the increase of the sales for the products recently introduced in the portfolio: Bisotens[®], Simcor[®] and the range Lisinopril Antibiotice. The market of the cardiovascular medicines is the most valuable at the level of the entire pharmaceutical industry having a great potential of development. Following the market's general tendency, Antibiotice intends to develop and to keep launching accessible top pharmaceutical products consolidating its presence within this class.

The Anti-infectives for Systemic Use class also registered a positive evolution during the first half of 2008, registering a share of 58% in the company's turnover as opposed to the similar period in 2007, when it held 56%.

The increasing rhythm was sustained by the sales of the injectable products Cefort[®] injectable 1g, AmpiPlus[®] injectable 1,5g, AmoxiPlus[®] injectable 1,2g, actively promoted, as well as of the capsule products big doses Amoxicillin, Ampicillin, Oxacillin and Cephalexin, for which Antibiotice owns over 40% of the market share.

Although it is a reduced market from the point of view of the value, the Antibiotice Company registered a 20% increase within the Genitourinary System class, by the product Mastoprofen[®] gel.

The therapeutic classes of Dermatological Preparations and Musculoskeletal System registered, during the first half of this year, a relatively constant evolution as opposed to the similar period of 2007. Following the company's strategy of renewing the portfolio and of orientation towards products with a wider range of actions, of last generation, they pulled out of fabrication a number of 5 products belonging to these two therapeutic classes (the range of Flumethasone Pivalate, Triamcinolone A ointment and Indomethacin ointment). The products already assimilated - Kefungin cream, Naftitine Antibiotice cream - as well as those in course of assimilation, such as - Terbinafine Antibiotice cream, Betamethasone Antibiotice cream and Clafen[®] cream 5% - will have an important share in the global turnover of the company (products which are in active promotion). Within the range of classic products, some important increases registered: Phenylbutasone cream, Clotrimazole cream, Piroxicam gel, as well as the medicines with a brand, such as: Cloviral[®] cream, Cutaden[®] ointment, Clafen[®] suppositories for adults and Saliform[®] Forte cream.

Within the class of Digestive Tract and Metabolism, the products with an important share in the accomplishment of the company's turnover are: Ranitidine (6.4% value share in total portfolio), Glycerine Suppositories for adults and for children (4.7%) and Piafen tablets (1.3%).

For the next period they have in view the consolidation of the company's position on this class by the assimilation of the antidiabetic medicines Glibenclamide Antibiotice tablets 3.5 mg and 1.75 mg and Dipimet[®] tablets 500 mg. Both products are present on the lists with a degree of 100% compensation.

The oral forms, such as - Piracetam tablets 400 mg, Paracetamol tablets 500 mg and Novocalmin[®] tablets 500 mg - registered increases within the class of Central Nervous System. Similarly to the tendencies of the pharmaceutical market, in 2008 Antibiotice will assimilate into the portfolio of products assigned to the central nervous system disorders, the sedative Zolpidem Antibiotice tablets 10 mg and the antipsychotic Risperidone tablets 1 mg, 2 mg, 3 mg, 4 mg.

On the domestic market, the Antibiotice Company kept valorising, the best way possible, the medicines under the form of tablets (registering a 14% quantitative and value rhythm of increase, as compared to the anterior similar period) and capsules (31% quantitative rhythm of increase and 26% value rhythm of increase), remaining at the same time a leader on the segment of the medicines presented as ointments, suppositories and injectable powders.

The value of the export registered during the first 6 months of 2008 reached 6.571.442 USD, registering a considerable increase (72%) as compared to the similar period of 2007, when the value of the export reached 3.811.312 USD. The positive evolution was reflected not only in the export of Nystatin, where the increase was by 5.3%, but especially in the export of conditioned products, where the value increased by more than three times, from 667.772 USD in 2007, to 3.259.781 USD for the first semester of 2008.

The increases registered on the two segments of the export activity are based, on one hand, on the orientation towards an increase of efficiency for the product Nystatin, by the reorientation of the exports towards the regularized markets, accompanied by an increase of the intermediate delivery price. On the other hand, the increase registered by the export of conditioned products was mostly determined by the development of the projects of cooperation on the European market, with companies from France and Spain, but also by the development of the existent partnerships and the concretization of new projects on the markets from Asia, Africa, Russia and the former CIS countries.

The total value of the production accomplished during the 1st Semester of 2008 was 136.871.035 lei, which represents 54,6% of the production value planned for 2008.

During the 1st Semester of 2008 they made some savings concerning the raw material and the materials for the primary and secondary packaging, amounting to 603.680 lei, as a consequence of some measures of improving the technological processes and the production's staged planning on all the production lines. Savings amounting to 33.549 lei were registered on the whole production activity.

Between April 15th - April 17th 2008 the following plants: Capsules, Tablets and Ointments-Suppositories were audited by the National Medicine Agency in view of recertifying the production lines.

For the Capsules Plant they purchased and put into service some equipment for automatic packaging of the blisters in boxes for the penicillin line - operculated capsules, the therapeutic class which represents 1% out of the turnover's value.

The putting into fabrication of the new, authorized products represents a priority for the medicine manufacturing. They manufactured the product Dipimet (antidiabetic) and during the 2nd Semester they propose the launching into fabrication of some new products from the Antidiabetic category (Glibenclamide 1,75 mg and 3,5 mg, Gliclazide EP 30 mg), Psychoanaleptics (Zolpidem 10 mg) or Corticosteroids for dermatologic use (Betamethasone Antibiotice trademark 0,5 mg/g).

For 2008 they approved, through the budget of income and expense, investments amounting to 6,1 million Euro, among which the most important is the objective of investments "Production line for solid oral forms (tablets)".

In the 2nd quarter of 2008 they started the preparation works of the location for the objective of investments "Production line for solid oral forms (tablets)". They estimate that the works will be finished during the 3rd quarter of 2008.

Within the investment project "Production line for solid oral forms" - according to the GMP norms, in the building assigned to Tableting Plant Pavilion, they asked for and they received offers for equipment, from companies specialized in the manufacturing of equipment for the pharmaceutical industry.

The objective of this project is the foundation of a line of conventional and non-penicillinic coated tablets, with an annual capacity of 500 million conventional tablets, for there is a Romanian and an external market.

In the next period the offers will be analysed from the technical-economical point of view, the initiation of the project for the clean rooms depending on the finalization of these negotiations.

They finished the works of rearrangement of some areas from the Micro-production and Spare Parts Plant: locker rooms, toilets, the areas where the Industrial Design Compartment operates, etc. The works were started in 2007. They founded a new Micoteque laboratory, in a new place, on the ground-floor of the Marketing Unit's building, they purchased laboratory technique and licenses for pharmaceutical products. The value of these investments accomplished during the 1st semester of 2008 amounted to 1,3 million Euro.

During the first semester of 2008 the activity of the Quality Unit had as a goal the consolidation of the image and of the confidence in the quality, the efficiency and the safety of our company's products by means of:

- the keeping under control and the improvement of the Quality Management System by the implementation of the new regulatory requirements, applicable by the continuous control applied to the system of documents and registrations, which submits to the GMP, FDA and ISO 9001/2000 requirements, as

- well as by the program of self-inspections and evaluation of the efficiency of the applied corrective/preventive actions;
- the qualification of the suppliers and the qualification of alternative suppliers (in view of reducing the costs while keeping the existent quality standards);
- the continuous growth of the staff's improvement degree by the increase of the percentage of speciality staff (chemists, biologists) as compared to that of the staff with highschool degree and also by specific trainings;
- the increase of the level of performance and precision of determinations by purchasing laboratory equipment imposed by the observance of the European and American Pharmacopoeia requirements;
- the establishment of the conditions and responsibilities regarding the manufacturing under contract (according to the GMP requirements), in view of extending the company's portfolio, concretised by the conclusion of 11 Quality Agreements with producers from Europe, Asia and Africa.

The activities mentioned below had as a result:

- they didn't register any notification or complaint regarding the products commercialised on the domestic and external markets;
- the GMP recertification by the National Medicine Agency of the production lines for capsules penicillins, cephalosporins and non-penicillins, tablets, ointments and suppositories, as a consequence of the inspection between April 16th - April 18th 2008;
- the finalization, non-conformities free, of the supervision audit for the certification of the conformity of the Aluminium tubes and caps, audit performed by SRAC CERTSERV on February 5th 2008;
- the finalization, non-conformities free, of the audits performed by clients (KV - USA, Actavis - Bulgaria), as well as of those performed by foreign authorities (Saudi Arabia) which had as a result either the continuation of exports, or the company's approval for the presence of its products on the Saudi Arabian market.

The human resources policy has as a main objective "the increase of the human resources' performances" - the premise for the increase of the competitiveness and of the business quality and it had as action directions:

- The renegotiation of the clauses from the Collective Labour Contract at company level for the period 2007 - 2010 and the registration of the additional acts signed by the Department of Labour, the organization and the providing of the performance

of the salary negotiation for 2008, according to the provisions of the additional act.

- The identification of the necessity of training at the level of organizational structures and the elaboration of the Annual Plan of Training with external trainers for 2008:
- trainings with external trainers asked by the organizational structures in view of elaborating, budgeting and approving the annual plan of training;
- the monitoring of the training development according to the assigned plan and budget.
- The finalization of the implementation of the PHARE objective with non-refundable financing, “Training and evaluation Center” and the performance of the sessions of on-line training for the medical representatives on pharmacovigilance field.
- The analysis of the accomplishment degree of the objectives of 2007 for the staff involved in the MBO system and the calculation of the corresponding payments;
- The establishment and the finishing of the objectives for 2008 at the level of units and for all the employees involved in the MBO system, the drawing up of the decisions per units and of the additional acts for the individual working contracts;
- The continuation of the project for the elaboration of the Carrier Plan within structures from the Production and the Quality Control fields, respectively analyses regarding: the jobs and the necessary competences for their occupation, the possibilities of development of the competences in view of providing the specialized staff for the continuity of the activity and the increase of the staff’s motivation in view of their carrier development;
- The finalization of the comparative studies and the issuing of the reports on the working market regarding:
- the hierarchization and the correspondence of the jobs within the society and on the working market at national level, at the level of the activity fields within the pharmaceutical domain and at the level of the geographical area.
- the study of the salary level per jobs and per activity fields from Romania, the Moldavia area and those specific to the pharmaceutical field.

THE PRESIDENT OF THE MANAGING BOARD,
Eng. Coca Cascaval, PhD.