

2008

Annual Report 2008

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With a tradition of over 50 years, Antibiotice is currently the only Romanian generics company in Top 10 – medicine manufacturers active on the Romanian pharmaceutical market. Antibiotice owns a 2.72% market share. (Source: Cegedim 2008)

Company profile

Competitive advantages

- the most important Romanian anti-infectives manufacturer;
- leading manufacturer of medicines for injection in sterile powder form filled into vials, topical preparations and suppositories;
- only manufacturer of antibiotics produced by biosynthesis;
- national second place for the class of dermatological preparations;
- Romanian manufacturer with the most complex manufacturing structure;
- the first Romanian pharmaceutical company that implemented the Integrated Management System (quality, environment, occupational health and safety);

Portfolio

- more than 120 human use medicines in eleven therapeutic classes
- active substances (Nystatin)
- veterinary drugs and biofertilizers

Presence on the international market

- export to over 35 countries worldwide
- second world manufacturer of Nystatin

Antibiotice on the Romanian pharmaceutical market

- 2,72% value market share (Source: Cegedim 2008)

Mission

We make our valuable medicines more accessible to patients, physicians and pharmacists as a means of providing healthcare. We always put our strength to 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 target performance, permanently investing in people, technology and carefully selected partnerships.

Core values

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

Message of the Management Board to the Shareholders

We want to convey to our shareholders, partners and investors that at the end of 2008 Antibiotice obtained a gross profit of Lei 13.3 million and a turnover of Lei 215.8 million, comparable to that achieved in 2007. Majority share in turnover was held by domestic sales. Exports represented 12% of total turnover, compared to only 8% in the previous year.

Antibiotice manufactures more than antibiotics, being today a complex drug manufacturer whose portfolio is no longer focused exclusively on anti-infectives. Antibiotice produces high quality, safe and effective generic medicines, viable alternatives to innovative medicines. Following the development trend of the pharmaceutical market in 2008 also it continued the process of renewing the portfolio with new therapeutically valuable products. The company manufactures 120 medicines belonging to the anti-infectives, cardiovascular, digestive tract and central nervous system classes that are used to treat a large range of diseases.

A major goal of 2008 was the business development on the international markets. Four new products were registered in Hungary. The documentation required for obtaining the marketing authorization for four new products for injection on the US market was submitted to the FDA (the Agency of the United States Department of Health and Human Services).

In 2008 Antibiotice company evolved in a difficult context, marked by the freezing of medicines prices, continuous increase in

raw material and utility costs, leu's devaluation towards the end of the year and generics consumption drop (due to the introduction of the drug prescription based on their trade names).

Moreover, since September the effects of global financial and economic crisis began to be felt in Romania. In this context, Antibiotice implemented a plan to streamline the business and reduce costs in order to increase the business profitability.

The measures taken aimed at decreasing the material expenses by meeting the quality, labour safety and manufacturing requirements of pharmaceutical industry. Beyond reducing logistics, utilities and raw materials costs, collection rate on the market was improved by setting up some payment schedules. On the domestic market, the customers' debts were covered by insurance instruments and the insurance policies to risk of default were extended for the external customers.

Also, employment was frozen and some employees were deployed to other positions within the company. By stimulating the voluntary termination of the collective labor agreement and the retirement upon request, at the end of 2008, the number of employees was 1516 (from 1623 to late 2007). These measures led to a higher than 7% decrease in salary expenses.

Antibiotice will continue to target future performance. Our goals include investment in developing a modern and competitive

product portfolio, maintaining international quality standards, strengthening the Integrated Management System and last but not least, developing the production activity.

So for 2009, maintaining a high, ambitious level of turnover and profitability will ensure the necessary funds for the investments Antibiotice wants to achieve, providing added value for shareholders, investors and partners.

Management Board
Antibiotice



The main Romanian generics producer, Antibiotice recorded in 2008, a growth rate similar to the trend of generics drug market in Romania.

Antibiotice – leading Romanian producer of generic medicines in Romania

Year 2008 brought many legislative changes in the Romanian pharmaceutical market, leading to increased drug consumption in the original medicine segment. At this juncture, the company Antibiotice maintains its position as the main Romanian generics producer recording a growth rate similar to the one of the generics market.

The main macroeconomic factors that influenced the development of generics companies in Romania in 2008 were:

- brand prescription (trade name);
- differentiation of the distribution trade markup for the imported medicines (16%) compared to the medicines manufactured in Romania (7.5%);
- non-updating of prices of the Romanian medicines according to the exchange rate evolution;
- amendment to the list of compensated and free of charge medicines.

Antibiotice's marketing strategy during 2008 was the polarization of trade and promotion policies around the main pillar of the core business (antibiotics, sterile powders for injection and oral forms) and around growing therapeutic classes (cardiovascular, musculo-skeletal).

In 2008, the company recorded a Lei 215.81 million turnover, of which 88% represents the domestic sales (Lei 189.83 million).

Antibiotice occupies the 4th place in

the top of generics companies in Romania (with a 6.6% market share), the only majority state-owned pharmaceutical company.

An additional 8% for prescription medicines

Positive results were obtained in the prescription drug segment (RX), by strategically focusing the company towards protecting and increasing the core business. This strategy is definitive in terms of 3 pharmaceutical forms (medicines for injection, capsules and tablets) and 3 main therapeutic classes (anti-infectives, digestive tract and cardiovascular system).

In this context, the prescription medicine portfolio recorded a 8% increase in sales from Lei 146.7 million in 2007 to approximately Lei 158 million in 2008, the main growth source being the hospital segment.

In 2008, Antibiotice ranked the third place nationally for hospital sales, increasing value by 34% over the previous year. This positive result, much higher than the general hospital market trend (+6.6%) comes from a management focused on combined penicillins, cephalosporins, TB medication and solvents for antibiotics under the form of powders for injection:

- Amplus[®] (ampicillinum + sulbactam, powder for injection, 1.5 g) grew by 30%/ -

195,000 additional vials sold;

- Amoxiplus[®] (amoxicillinum + clavulanic acid, powder for injection, 1.2 g) grew by 152% - 445,000 additional vials sold;

- Cefort[®] (ceftriaxonum, powder for injection 2 g, 1 g and 250 mg) increased by 15% - 370,000 additional vials sold;

- Cefotaxime (cefotaxinum, powder for injection, 1 g) grew by 23%/ - 45,000 extra vials;

- 16% increase in sales of tuberculostatics, with 4.6 million additional therapeutic units sold;

- Solvents (distilled water and saline), products assimilated in the second half of 2008, brought an extra value of about 2 million lei, positioning the company Antibiotice with a 15% market share.

For the retail segment (independent pharmacies, pharmaceutical chains and minichains), the company has developed over the last 2 years a dedicated promotion team (over 100 medical and business representatives) whose common goals are on one hand to increase the doctors' knowledge regarding our medicine portfolio, and on the other hand to improve the presence of Antibiotice brand in the pharmacy and at patient.

Increases for cardiovascular products

With the prescription brand, the portfolio of cardiovascular products

portfolio of cardiovascular products Antibiotice brand recorded in 2008 an increase of 10% in physical terms at the range Lisinopril[®] Atb (lisinoprilum) Bisotens[®] (bisoprolol) and Simcor[®] (simvastatin). The promotion policies of the

Antibiotice team on cardiovascular drugs focused on the orientation of an increasing number of medical prescribers and patients to more affordable medicines, but similar in terms of therapeutic efficacy with the innovative, imported

Positioning of the Antibiotice Company on the main therapeutic classes in 2007-2008 (the retail price) – Lei million

Therapeutic classes	Total Market*		Antibiotice Company**	
	2007	2008	2007	2008
Systemic use anti-infectives	868.5	943.3	101.9	118.1
market share	14.3%	13.2%	11.7%	12.5%
Cardiovascular system	1,223.4	1,440.3	10.2	9.1
market share	20.1%	20.1%	0.8%	0.6%
Digestive tract	875.6	991.1	27.3	23.6
market share	14.4%	13.8%	3.1%	2.4%
Central nervous system	846.5	981.8	14.9	12.1
market share	13.9%	13.7%	1.8%	1.2%
Musculoskeletal system	385.8	496.8	13.7	10.7
market share	6.3%	6.4%	3.6%	2.3%
Dermatological preparations	121.9	126.6	17.5	15.6
market share	2.0%	1.8%	14.4%	14.4%

* market share of the therapeutic class on the pharmaceutical market in Romania
 ** Antibiotice's market share within the therapeutic class in Romania

Data source:
 Cegedim ROMANIA 2007-2008

Positioning of the company Antibiotice on the main pharmaceutical forms in 2007-2008 (the retail price) – Lei million

Pharmaceutical forms	Total market*		Antibiotice Company**	
	2007	2008	2007	2008
Powders for injection	331.7	410.2	61.7	73.6
market share	5.5%	5.7%	18.6%	18.6%
Capsules	709.2	800.4	30.3	33.2
market share	11.7%	11.2%	4.3%	4.2%
Tablets	3,189.9	3,723.3	37.3	36.2
market share	52.4%	52.0%	1.2%	1.0%
Ointments, creams, gels	169.3	176.8	29.6	25.5
market share	2.8%	2.5%	17.5%	14.4%
Suppositories	61.6	58.7	29.8	23.5
market share	1.0%	0.8%	48.3%	40.1%

* market share of the therapeutic class on the pharmaceutical market in Romania
 ** Antibiotice market share within the therapeutic class in Romania

Data source:
 Cegedim ROMANIA 2007-2008

In terms of pharmaceutical forms, the company Antibiotice is the leader in the pharmaceutical market in Romania for three of the five pharmaceutical forms addressed: powders for injection (18.6%), ointments (14.4%) and suppositories (40.1%).

In 2008, in order to promote its medicines, Antibiotice company, by its representatives attended the numerous symposia and scientific meetings throughout the country, dedicated to anti-infective, systemic, cardiovascular and dermatological classes. Thus new and traditional brands from the company portfolio were promoted at national level like Eficef[®] (cefixinum) Ceforan[®] (cefadroxilum) Ceftamil[®] (ceftazidinum) Cefort[®] (ceftriaxonum) Bisotens[®] (bisoprololum), Simcor[®] (simvastatinum).

Although it focuses mainly on developing the therapeutic class of

systemic use anti-infectives, the core business of the company, Antibiotice is responsive and flexible at the pharmaceutical market trend, ascending trend in certain therapeutic classes: cardiovascular, central nervous system.

Thus, the medium and long term orientation of the company is outlined on these therapeutic classes, forecasting a major upgrade of the product portfolio by:

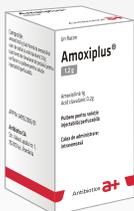
- range extension (introduction of new INNs in therapeutic subclasses in the existing portfolio) and line extension (development of pharmaceutical forms and

/ or concentrations for existing INNs in the portfolio);

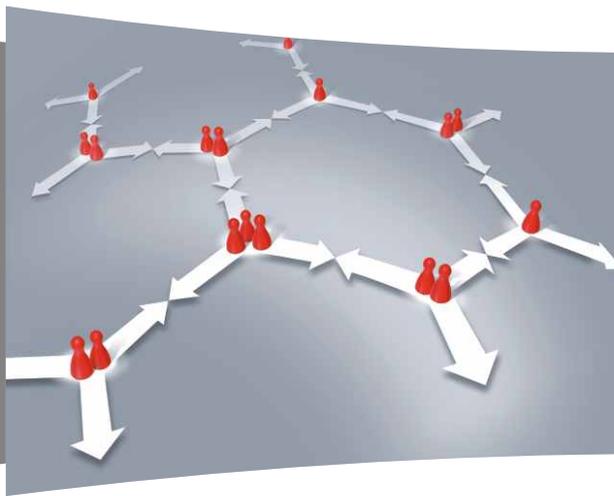
- development of new therapeutic subclasses (central nervous system, oncology, diabetes, antiosteoporosis medication);

- restructuring of the current portfolio by eliminating products with low share in turnover and profit;

Top 10 Brands made by Antibiotice

Brand	Therapeutic class/ Pharmaceutical form	Therapeutic indications	Valoric market share - lei
	Anti-infectives for systemic use Ampicillinum+sulbactamum Vial with powder for injection 1.5g	Penicillin in combination of beta-lactamase inhibitors indicated in respiratory urinary, abdominal, genital infections, antibiotic prophylaxis in surgery	100%
	Anti-infectives for systemic use Amoxicillinum+acidum clavulanicum Vial with powder for injection 1.2g	Broad spectrum penicillin, indicated in respiratory, digestive, urinary, genital and osteoarticular infections	76.2%
	Anti-infectives for systemic use Ceftriaxonum Vial with powder for injection 250mg, 1g and 2g	Cephalosporin indicated in respiratory, urinary, abdominal and genital infections, in meningitis and antibiotic prophylaxis in surgery	85%
	Anti-infectives for systemic use Ceftazidimum Vial with powder for injection 1g	Cephalosporin indicated in respiratory, urinary, abdominal and genital infections, in meningitis, infections with Pseudomonas aeruginosa, and antibiotic prophylaxis in surgery	76.5%
	Anti-infectives for systemic use Cefiximum Capsules 200mg	Cephalosporin indicated in respiratory, ENT, urinary and genital infections	100%

Brand	Therapeutic class / Pharmaceutical form	Therapeutic indications	Valoric market share - lei
	Cardiovascular system Lisinoprilum Tablets 10mg, 20mg and 40mg	Angiotensin - converting enzyme inhibitor indicated in arterial hypertension, chronic cardiac failure, acute muocardial infarction, conditions post-myocardial infarction and diabetic nephropathy	17.5%
	Cardiovascular system Simvastatinum Coated tablets 20mg and 40mg	Hypolipemiant, indicated both in patients with known coronary heart disease and in high risk patients (patients with diabetes, cardiovascular peripheral diseases, cerebrovascular disease)	1.5%
	Cardiovascular system Bisoprololum Tablets 5mg and 10mg	Beta-blocker, recommended for arterial hypertension, pectoral angina, silent myocardial ischemia, myocardial heart-attack, post heart-attack secondary prevention, arrhythmias.	6.6%
	Alimentary tract and metabolism Ranitidinum Coated tablets 150mg	Antacid product indicated in duodenal ulcer and gastric hyperacidity	78.3%
	Musculo-skeletal system Diclofenacum Tablets enterosolubile 50mg Suppositoires 100mg Cream 1% 20g, 40g Gel 1% 40g	Nonsteroidal inflammatory drug, recommended for treating rheumatic diseases, invalidant arthrosis, articular acute inflammations, slow and moderate pains, muscular and osteoarticular algias, vascular cephalalgia, dysmenorrhea.	23%



Doubling the value of conditioned products on the international markets, compared with the previous year and consolidating position of Nystatin on the world market which led to a 41% increase in the export turnover.

Dynamic growth on international markets

From the perspective of presence on international markets, 2008 represented for Antibiotice a year of growth, both in terms of export value achieved and geographical presence and profitability of products delivered to foreign markets.

Export Turnover increased by 41%

Accumulated value of export transactions made during 2008 amounted to USD 10,345,969, about 41% higher than the export turnover for 2007. Tripling of the rate of export profit compared with the previous year took place under conditions of an increasing concern for rendering the export activity more efficient.

Nystatin, the main product exported

Exports of the active substance Nystatin still have the main share rising to 55% of total export. Given the maturity of the Nystatin international market, export strategy for this product focused on increasing the export value maintaining at the same time the supplies to a quantitative level comparable to that in the previous years. Therefore, the evolution of Nystatin export marked a 1.4% quantitative increase, while export value in

2008 was 8.4% higher than that of 2007. The main markets were in Europe (Germany, Switzerland, Belgium, France, United Kingdom), North America (USA) and Asia (Vietnam, India, Syria, Iraq, China, Jordan).

An additional 45% for exported conditioned products

Following the strategy for increasing the number of conditioned products registered on foreign markets and for developing the production projects in cooperation, the contribution of this segment in the export activity grew significantly.

Thus, the export of finished drugs increased by 124% compared with the previous year, the export value of those products representing 45% of the total export. The positive trend was mainly due to the development of the projects under contract manufacturing on products for injection for partners in Europe. This activity increased the total exports of conditioned products by 64%, and materialized the procedures for registration of products in new markets in the CIS, Asia and Africa.

New projects and traditional partnership

On the European market, development directions on exports of conditioned products aimed primarily at maintaining the existing projects of production under contract and identifying new opportunities in this respect as well as directly distributing the products under Antibiotice brand. As a result, at the end of 2008 the certificates of registration in Hungary for 4 products were obtained: Amoxiplus (amoxicillinum + clavulanicum Acid) 1.2 g Ampicillin (ampicillinum) 1 g, Cephalexin (cefalexinum) 250 mg and 500 mg, for which the entry on the market will take place since 2009.

Regarding Russia + CIS countries, year 2008 brought a 13% increase in the export value of conditioned products, which reached USD 860,000. This increase comes as a result of extending the number of products registered or submitted for registration in countries like Republic of Moldova, Azerbaijan, Georgia, Mongolia, Armenia, Afghanistan and Uzbekistan, as well as of identifying new partners for product distribution in the area.

Exports of conditioned products for markets in Asia, Africa and South America



increased by 20% compared to the previous year. Positive development was possible because of both activity development on the markets which became traditional in Vietnam and Tunisia and new projects achieved in countries such as Algeria, Saudi Arabia, Yemen and Sri Lanka.

Expanding of exports on the U.S. and Canada markets

In order to extend the exports of new products to the U.S. and Canadian markets in 2008 the registration documentation for four products belonging to the class of penicillins for injection (ampicillin, nafcillin, oxacillin) was submitted to FDA, the U.S. authority in the field of medicine. Completion of this project will allow the company the access to a premium market

such as the U.S. market, recognized as extremely demanding in terms of quality products that can be marketed.





In 2008, under the implementation of a rigorous program to reduce costs, the quality requirements imposed by GMP certifications for each stage of production process were met.

We efficiently produce meeting the **quality requirements**

Antibiotic's GMP certified production capacities, manufacture over 120 drugs, obtained in five pharmaceutical forms: powders for solutions and suspensions for injection, capsules, tablets, topical preparations (ointments, gels, creams) and suppositories.

Production optimization

Aiming at observing the technical and economic indicators planned for 2008, their achievement level was 102%.

In 2008, the overall level of achievement of the objective of specific utility consumption per unit of product in each plant, was 127.64%.

Capsule Plant developed its operations on three separate lines, dedicated to penicillins, cephalosporins and non-betalactams with an increased production capacity (350 million capsules per year).

For the line of penicillins operculated capsules, therapeutic class representing 11% of the turnover, modern automatic equipment for packing blisters in cartons was purchased and put into operation. This contributed to increasing the labor productivity by 21%.

Tablet Plant continued to improve the pharmaceutical forms. At the same time, Dipimet, a new product obtained by proper research belonging to the antidiabetic class was assimilated. The utility consumption in the Tablet Plant decreased by 27%.

Ointments and Suppositories Plant continued to improve the manufacturing formulas and to prospect new sources of excipients, in view of reducing the raw

material costs.

Manufacture of Nystatin in the Biosynthesis Plant was performed in cold periods of the year, when yields are maximum (shown in long working experience in biosynthesis), and the Nystatin production per batch increased by 3.5%. These measures generated savings of 27% in consumption of utilities.

Research and production of biofertilizer and bioinsecticides

320 tons of biofertilizers, worth over Lei 1 million, were produced and sold in the biosynthesis pilot. The biofertilizers Azotofertil and Ecofertil are innovative biological products, natural substitutes of chemical fertilizers, which improve the quality of products for which they are used and they increase the crop productivity at a 10-30% rate. Azotofertil and Ecofertilul were certified as "ecological products" and can be used by farmers from 2009.

The research work for achieving new forms of administering the products Azotofertil and Ecofertil - on the solid support continued in 2008 too.

Increasing production capacity of tablets

In the investment project "Manufacturing line of oral solid forms", which aims at achieving a production capacity for conventional and coated non-penicillinic tablets, the offers for production equipment were analyzed from a technical-economical viewpoint. This line will have an

annual capacity of 500 million conventional tablets, which will be marketed in Romania and abroad.

External cooperations for new products

On the modernized line of Parenteral Preparations Plant, the manufacturing of powders for solutions and suspensions for injections was developed for certain products, in collaboration with foreign companies under cooperation manufacturing agreements.

Also, within the Capsule Plant three new products were achieved in cooperation with foreign partners: Cycloserine-tuberculostatic medicine, Sulperazone and Cefuroxime axetil 250 mg, 500 mg, anti-infectives.

Production capacities



350 000 000 capsules/year



350 000 000 tablets/year



55 000 000 vials/year



16 000 000 tubes
with creams and gels/year

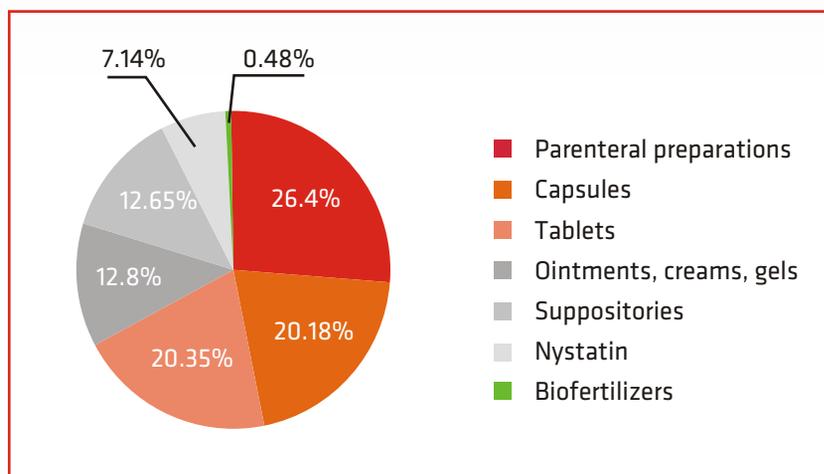


16 000 000 boxes
with suppositoires/year



53 000 kg Nystatin/year

Production structure by value in 2008





Reconfirmation of integrated management system

Compliance of the Integrated Management System was assessed and confirmed by the good results of audits performed by: National Medicines Agency, external regulatory authorities for pharmaceutical industry, certification bodies and customers of the company. The system based on correlation and compliance with GMP requirements (EU GMP, PIC / S GMP, FDA cGMP) designed for the medicine manufacturing and with the requirements of international standards for quality, environment, occupational health and safety management.

Since the certificate of Good Manufacturing Practice for Medicinal Products issued by the National Medicines Agency on 12/07/2005 expires on 18/05/2008 the Standard File of the company was prepared and submitted to the NMA for recertification and issuance of the manufacturing authorization. After verifying the documentation, NMA conducted the audit for recertifying the manufacturing flows: capsules, tablets, ointments and suppositories from 16 - 18/04/2008, being issued the Certificate of Good Manufacturing Practice no. 026/2008/RO.

- Implementation and compliance with good manufacturing practice requirements were assessed by external authorities, by the beneficiaries of Antibiotic products respectively. 5 audits concluded without

major and critical non-conformities confirmed the compliance of GMP rules:

- upgraded, well organized facilities to meet specific requirements in force, on the manufacture of medicinal products;
- technical expertise, professionalism and personnel's GMP culture.

In order to support the company's turnover a number of 10 quality agreements / addendum to the manufacturing contracts with different pharmaceutical manufacturers were signed. These agreements were concluded in strict compliance with GMP requirements regarding the manufacturing and control agreements, with the legal and judicial framework, defining and determining the responsibilities of each party involved in these agreements to ensure quality, efficiency and product safety.

To ensure compliance with GMP requirements on sources of supply, 14 audits were conducted by Antibiotic experts to the headquarters of the companies producing active substances in China, India, Turkey and primary packaging materials in Slovenia and the Czech Republic. The purpose of the audits was to assess the degree of compliance with GMP requirements and manner of compliance with ISO 9001:2000 requirements for those ones which can be assimilated and compared with the GMP requirements.

The documents necessary to prove that the Integrated Management System implemented in 2007 is appropriate, adequate and effective were elaborated.

Recertification of the quality management system

Since the ISO 9001:2000 certificate, valid for 3 years, expires on 09/01/2009 the audit for recertifying the quality management system was conducted in accordance with ISO 9001: 2000 before expiring the previous certificate to in order to ensure continuity.

A new vision in conducting supervision audits

Operation and improvement of the integrated management system was achieved by regular assessment of the certification body, namely through the supervision audits of the management systems, every 6 months: quality, environment and occupational health and safety.

The approach of the audits conducted was performed according to the new vision of the certification body Lloyd's Register Quality Assurance, in terms of audit themes and using continuous improvement to support business growth.

After updating the referential OHSAS 18001:1999, this becoming international standard OHSAS 18001:2007, the system documents were elaborated and the new requirements were implemented by completing specific activities.



Human resource policy implementation in the Antibiotice Company aimed in 2008 at ensuring the staffing needs according to the approved organizational structure and business plan. To obtain professional performances projects to develop human resources were carried out and adequate systems on performance management, motivation and training were implemented.

Strengthening business with a sustained investment in people

Training programs

Within the annual program of training, according to the needs identified for each organizational structure and in close correlation with the law in Romania and with applicable Community legislation changes training activities were carried out for each unit of the company.

Trainings with external lecturers aimed at areas such as quality, health, labor and environmental security management, according to ISO 9001:2001, OHSAS standards respectively, but also at applying the GMP rules (Good Manufacturing Practice), GCP rules (Good Clinical Practice) and GLP rules (Good Laboratory Practice) in the company. Employees of the Pharmacovigilance, Quality Assurance, Pharmaceutical Development Departments were specifically trained. Personnel from Finance - Accounting, Legal, Internal Audit, Investment Departments and others attended specific training sessions too.

The training program with external lecturers included a number of 161 employees, representing 34.25% of the staff with high level education compared to 28.41% in 2007, expenditure for this purpose being 340,154.

To maintain the human resources to the specific training level required by the positions occupied, the Human Resources Unit monitored the trainings with internal lecturers depending on the specific development needs.

Increasing employees' satisfaction and motivation degree

Also in 2008 the job classification for 1086 positions within the company with similar positions in the pharmaceutical domain at national level and at geographical region was completed. This analysis was the basis for wage negotiations conducted and for aligning the pay system within the company with those in the pharmaceutical domain aiming at increasing the staff's loyalty and performance by an appropriate financial motivation.

Rising 12 places in the "Top 100 companies to work for"

For the third consecutive year, Antibiotice was included in the "Top 100 companies to work for" on site 51 (rising to 12 positions from 2007). The top made by Capital Magazine and GfK Romania is prepared on the basis of satisfaction of employees in middle management positions (middle management).

Reorganization of staff structure

The program of reorganization and resizing of the personnel continued in 2008, with a view on strengthening the business and reduce costs, according to the Business Plan developed for the period 2007 - 2010. Thus, we continued to attract

highly qualified personnel in key areas of activity and to promote to higher positions employees who have completed their high level education. 70 jobs were restructured in the sphere of productive activities and 50 jobs were released by the employees who met the conditions for retirement.



During 2008, Antibiotice received 22 marketing authorizations for medicinal products, issued by the NMA, 23 marketing authorizations from the regulatory bodies in countries outside the European Union and 4 marketing authorizations from the FDA (USA).

Safe, qualitative and efficient medicines

The responsibility we have assumed for the medicines manufactured starts with their formulations and continues throughout the manufacturing process until monitoring the drug safety in therapy. Over the entire chain the responsibility reaches considerable exigencies, thus demonstrating that the medicines manufactured by Antibiotice are safe, qualitative and effective.

Research for new generics

Antibiotice has continued to develop its product portfolio through its own research development and acquisition of licenses for the domestic market.

Through its research, Antibiotice has developed five new medicines whose registration documentation was submitted at the National Medicines Agency (NMA) in order to obtain the Marketing Authorization in Romania. Research for seven new medicines (five tablets and two topical products) from the cardiovascular, CNS, antidiabetic, dermatological use corticosteroids classes was also initiated.

For products that can not be obtained in terms of economic efficiency through own research or for which there are no manufacturing lines that are authorized, Antibiotice purchased for the domestic market licenses for anti-tumor products (oral and injectable), anti-infectives, cardiovascular and gastrointestinal products. Thus, two new products,

Trimetazidine and Pantoprazole, will complete the Antibiotice tablet portfolio. Also, registration documentation for vancomycin for injection filled in vials of 500 mg and 1 g was submitted to the National Medicines Agency.

Authorization and reauthorization of the products from Antibiotice portfolio

In 2008 Antibiotice received 22 new marketing authorizations and 4 reauthorizations from the National Medicines Agency for the Romanian market. In order to extend the exports on the U.S. and Canada markets, the company submitted to FDA (the authority in the field of medicine), for 8 products from the class of penicillins for injection. For the Hungarian market, four marketing authorizations were obtained through national procedure. We also obtained 23 marketing authorizations for some markets outside the EU.

At the same time, the documentation required for authorization and reauthorization of nine products from own research and seven products obtained by purchasing a license, was elaborated.

Pharmacovigilance - responsibility to the patient

Responsibility to the patient has a central place in the vision of Antibiotice

Company and in recent years the company's efforts have focused on a culture of the safety of the medicines manufactured.

Patients, the end users of the extra health that Antibiotice provides through its medicines, can have the certainty that in addition to the proven effectiveness of each tablet, capsule, vial or ointment, Antibiotice also offers them the safety of the medicines for which the benefit / risk ratio is permanently monitored by its proper pharmacovigilance system.

Because every patient's health is important to Antibiotice Company, the pharmacovigilance system was developed to European standards, by which product efficacy and safety are constantly monitored. Thus, even the individual particularities are taken into account and the company is able to promptly intervene for maintaining the health individually if necessary.

Last but not least, by the connection to the European network of pharmacovigilance, Eudravigilance, the company ensures the transparency regarding the safety of Antibiotice medicines and proper and prompt information of both consumers and physicians, pharmacists and all health professionals, in accordance with the ethical company profile.

Bioequivalence clinical research for the proper products and contract- based research for foreign partners

Demonstration of the bioequivalence of medicinal products manufactured within the company, which proves that they are equally effective and safe as the innovative ones, represents an essential activity for introducing the drugs on the market developed by the specialists of the Center for Drug Evaluation (CEM).

For over 3 years, the Center for Drug Evaluation has dedicated its activity for performing and conducting the clinical bioequivalence/ bioavailability trials at international standards in the field.

Thus, in 2008, the CEM conducted 16



Photo: Building of Center for Drug Evaluation

bioequivalence studies for Antibiotice's own products, but also for external partners as well as 34 in vitro studies.

CEM obtained the GLP reauthorization

(Good Laboratory Practice) issued by NMA and the Ministry of Health reauthorized the clinical unit for phase I studies.

List of drugs developed by our R&D Department that obtained Marketing Authorization in 2008

Cardiovascular system

Almacor® (amlodipine) 5 mg, 10 mg, tablets

Gladycor® (carvedilol) 6.25 mg, 12.5 mg, 25 mg, tablets

Dermatological preparations

Betametazonă Antibiotice 0.5 mg/g, cream, 15 g

Taficen® (terbinafine) 1 mg/g, cream, 15g

Alimentary tract and metabolism

Glipizid Atb® 5 mg, tablets

Systemic use antiinfectives

Roclarin® (clarithromycin) 500 mg, coated tablets

Central nervous system

Rofluxin® (fluoxetine) 20 mg, capsules



The concern for a permanent development is also emphasized by the investments sustained and conducted by the company. The investments got materialized in the purchase of equipment for the Capsule Plant, extension of the finished product storehouse, in preparation of the location for the extension of the tablets

Investments in business development amounting to Euro 2.5 million

The exigency specific to the pharmaceutical industry requires continuous investments in the modernization of production lines, technologies, laboratories and manufacturing processes, according to the requirements of implementation and maintenance of the quality standards. According to the general goals of the company, Antibiotice invested in 2008 Euro 2.5 million in some very important objectives for its future development.

Project to extend the tablet production line

The most important project of investments, the one destined for the extension of the tablet production line has started in 2008 by preparation works for the location of the future production line. Once the whole investment is finalized, the new unit will have an enlarged production capacity (500 million tablet units, as opposed to 300 million tablet units at present) and will allow the diversification of the tablet portfolio of the company by the introduction of new products into fabrication.

New equipment for the Capsule Plant

A modern line of secondary packaging was brought into use on the penicillin production line, within the Capsule Plant.

The automatic equipment will work in line with the primary packaging machine and will have a productivity of up to 8400 boxes/hour. The investment amounting to Euro 290.000 allows the automatic packaging of the blister and leaflet in the medicine box, fact that leads to the growth of the monthly productivity on the penicillin production line, and implicitly to a quick meeting of the market demand.

Modern storehouse for finished products

Another investment objective amounting to approximately Euro 250.000 is represented by the providing of a modern space for storing the pharmaceutical products. The reorganization and modernization of the storehouse of finished products increased by a third its storage capacity. The works also aimed at reorganizing the lines of receiving and releasing the merchandise according to the Good Manufacturing Practice (GMP) norms/standards.

Investments concerning the environmental protection

Modern equipment for the filling out of solvents was purchased within the Biosynthesis Plant for the sustainable development of the company and the environmental protection. This investment

will reduce the emissions of volatile organic compounds in the air, in accordance with the commitment that Antibiotice Company assumed through the Program concluded with the Environmental Protection Agency.

Cost cutting

Within the complex program of cost cutting developed throughout the whole Company, measures were taken to reduce the consumption of energy, raw materials, materials and fuel, by their efficient use and negotiation of purchase costs.



Rhythmic supply, with qualitative material resources at the best prices and reduction of transportation costs represented the basis of logistics in 2008. Material resources amounting to LEI 15 millions were purchased, and fuel consumption was reduced by 9.7% as opposed to 2007.

Efficient management of logistic activities

Logistic activity within Antibiotice Company involves a process of planning, implementation and monitoring of efficient production line and storage of goods, services and related information, starting from the origin point to the consumption point.

Logistics Department provides the necessary materials on short, intermediate and long-term, as well as information regarding the characteristics of supply and demand on the market. The functions of Logistics Department comprise the supply, stock control, storage, material handling, order processing and transportation.

As such, the activity of supplying with material resources necessary to the production process (raw materials, materials, packaging, fuel) and technical resources (machinery, plant, installations, equipment, spare parts, etc.) also belongs to the scope of logistic operations.

On-time supply with qualitative resources

Material and technical resources of good quality, at competitive prices, amounting to LEI 15 million were provided in 2008 through the supply activity.

The portfolio of suppliers was updated according to the European standards by the elaboration of a data base, the share of suppliers authorized based on audit and questionnaire increasing by 30% as

opposed to the previous year. This allows, at any moment to choose the best solutions for the supply needs and a constant rhythm of deliveries, optimizing stocks and avoiding blockages.

In 2008, Antibiotice signed commercial agreements with 45 domestic suppliers for raw materials and other materials necessary for production. All the new agreements were renegotiated both for prices and for obtaining longer credit terms from suppliers.

Transport improvement

The operational plan implemented within the transport activity in 2008, led to the improvement of this service according to the internal and pharmaceutical market requirements. This was possible by cutting the cost per tone of transported merchandise and of safety stocks, by using a faster road transport, which led to the reduction of the operating costs with the help of the available transport units. Thus, fuel expenses decreased by LEI 166.116, especially starting from the second semester of the year by the application of the plan regarding the cutting of the operating costs.

Cargo transport on the shortest way, in due time, for the supplying with material resources and the trading of Antibiotice medicines on the territory of the country, as well as on external destinations was

performed with the help of a fleet formed of 10 vehicles and two semitrailers. Also, the daily transport of employees to/from the company's headquarters was provided by its six buses.

Starting from September, following rigorous analysis/some rigorous analyses, measures were implemented to restructure the department's activity. The measures taken within the program of cost cutting implemented in the company, contributed to savings by lowering costs and consumptions. Throughout 2008 they succeeded in reducing the number of run kilometers by 12.9% over 2007, and the economy for the consumed fuel was by 9.7% over the previous year.



“Be pro Nature. Get involved” was the program of social responsibility initiated by Antibiotice in 2008. The developed projects contributed to the awareness and sensitization of our employees regarding the environmental issues that we are facing at the beginning of this century.

Antibiotice, a responsible company

We take care of the health and safety of our employees, we get involved in the life of the community we live in, and the environmental protection represents a permanent preoccupation of Antibiotice Company. Beyond the implementation of the good manufacturing practices, the concern for the environment and the efficient management of resources represent a priority.

Development with care for the environment

As a part of the Integrated Management System, through the ISO certified Environmental management system, the company committed itself to prevent any environmental incident.

During 2008, the local and regional environmental authorities performed nine audits at Antibiotice. There were no environmental incidents or accidents recorded.

The recertification of the Environmental Management System occurred after the supervision audit in December. By the major investments developed during the last years, Antibiotice protects water, soil and air.

By major investments conducted in recent years, Antibiotice protects the water, soil and air

According to the commitments made in the Program of Conformation signed with the Environmental Protection Agency, modern equipment for transferring the

solvents were installed in the Biosynthesis Plant in order to reduce to minimum the loss of solvent vapours to the atmosphere.

The quality parameters of the water (evacuated by/through the treatment plant) and of the air (emissions from the plant of waste incineration), permanently monitored, complied with the values stipulated by law.

The 6000 sqm field in Valea Lupului, where the former waste storehouse was located (closed down in 2006 after the acquisition of the modern waste incineration plant) was planted with seedlings of acacia by the Antibiotice employees and their families.

Also, the area of 1000 sqm belonging to the old waste treatment plant was rearranged as a green space.



Afforestation of former waste storehouse

Being aware of the importance of protecting the environment they live in, the Antibiotice employees and their families got together in a volunteer action in order

to plant an acacia forest. In half a day, more than 100 employees planted 400 saplings of acacia on the 6000 sqm surface and gave back to nature the land where the former waste storehouse of Antibiotice was located.

Children's Day represented also the World Environment Day at Antibiotice

The children of the employees proved right on June 1st, their day that they know to cherish nature. Assisted by their parents, they built decorative objects and toys of recyclable materials (plastic bottles, packagings, tins). This way, children drew attention on the importance of selective collection and recylation of waste.

World Environment Day or about "An Inconvenient Truth"

On June 5th, the World Environment Day, the employees of Antibiotice received informative materials about ecological education and watched the documentary "An Inconvenient Truth" (produced after the book of the former vice-president of the US, Al Gore, activist laureate of the Nobel Prize for Peace). The action helped those present to be aware of the problems caused by the global warming and to understand how they can help to reduce this phenomenon.



The Mobility Week ended...

Antibiotice got involved, for the first time in the European Mobility Week, signing Charta 2008 together with the Iasi City Hall, Environmental Protection Agency and EuroDemos Association.

By informative materials and contests, the project has ensured that our employees



were aware of the danger of the air pollution and encouraged them to adopt alternative solutions at work and at home.

The fight for clean air goes on

On September 19th, green balloons bearing the message "Driving in excess

seriously harms health" were hung by the cars situated in the parking lot of the company.

The balloons indicated that at each 50 traveled kilometers, a vehicle emits in the air 8 liters of carbon dioxide (the volume of a balloon). Therefore, "sharing" the car with colleagues brings savings and protects the environment.

The message "No car, let's walk" urged the drivers to rediscover the pleasure of walking. Equipped with a pedometer to measure distance, 20 volunteers abandoned their cars and walked the entire weekend.

With soul, from soul

We have a responsibility to the others within the community, therefore we help those in distress, or without any support, through sponsorships, donations of medicines and goods, directly or through NGOs dedicated to those in need. Because we care, we will continue to give from our soul, with soul, to the community we live in.

The "Science and Soul" scholarships help the valuable young people to

fulfill their dreams

There have been eight years since Antibiotice joined the community in supporting children and young people with great potential, who do not have financial possibilities to go on with their studies.

By the five "Science and Soul" scholarships offered, Antibiotice helps the pupils from the villages of Iasi county, with outstanding results at school, to fulfill their dreams. The program of scholarships for students in rural areas is developed by the Association of Pro Ruralis ", in partnership with " Ziarul de Iasi.



12 years after the first transaction, more than 43,000 shareholders follow up with interest the evolution of Antibiotice on the Bucharest Stock Exchange. Although underestimated the last part of the year, due to the world economic depression, ATB shares remain in the portfolio of investors who know and trust the market potential of the

ATB - shares with long term potential

In 2008 international stock exchanges were volatile and registered low values, reflecting this way the crisis in the financial sector. The effects spread internationally, affecting the dynamics of the capital markets which reacted negatively, regardless the value of the shares (established by fundamental analyses and due to the profits obtained by the issuing companies in 2008).

Increased volatility led to transactions with shares in all sectors, including the pharmaceutical one. The prices of pharmaceutical shares in Central and Eastern Europe (CEE) decreased, reaching very attractive levels for investors.

The same trend was registered also on the Bucharest Stock Exchange, whose evolution was characterized both by depreciations and appreciations, influenced by the negative news in the international area.

Under these circumstances, according to STK Financial, the decrease of the value of ATB shares at the same time with the market led to their underestimation. Analysts consider that the growth potential of ATB shares in 2009 will be of approximately 40%.

ATB investors obtained a 104% profit

Investors who seized the opportunity offered by the reaching of the maximum level of Antibiotice shares (Lei 2.14/share) obtained a 104% investment return, as opposed to the investment made at the end of 2006.

Positive economic results achieved by the company in recent years and in particular those obtained in 2008 (an influence of the effects of global financial crisis), showed that the average value of

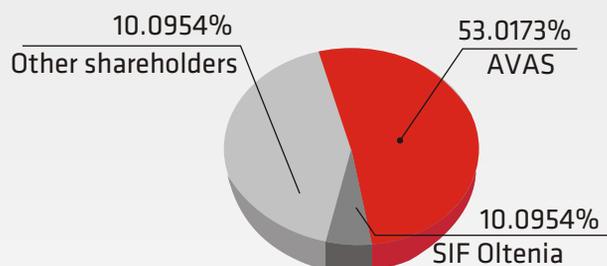
share in 2008 is about 8 times higher than the average value recorded 7 years ago.

This positively influenced the company's market capitalization value, which at the end of 2008 reached Lei 164 million (Euro 42 million), 20 times higher than the market capitalization value recorded at the end of 2000.

Evolution of the price of shares during 2003-2008

Index denomination	UM	2003	2004	2005	2006	2007	2008
Opening price	lei/share	0.2100	0.2250	0.5000	0.9650	1,7500	2.1000
Maximum price	lei/share	0.2400	0.5450	1.0100	1.9100	2,1700	2.1400
Minimum price closing price	lei/share	0.1820	0.2250	0.5000	0.9600	1,5800	0.3320
Intermediate price	lei/share	0.2250	0.4820	0.9650	1.7200	2,0500	0.3600
Total traded value	lei/share	0.2151	0.3301	0.7820	1.5004	1,8840	0.3463
Total traded value	millions lei	10	19	45	76	95	56
No of traded shares		47,590,611	56,722,508	57,444,262	50,434,665	50,265,984	43,814,300

Shareholding structure



In January 2008 a maximum number of 6,445,000 traded shares was reached, with a maximum total value traded of Lei 12 million (Euro 3.24 million). At the end of 2008 the number of traded shares was 8 times higher compared to 2000.

Constant presence in the tops

In 2008, Antibiotice was included for the third time consecutively in "Top 100 most valuable companies in Romania" achieved by Ziarul Financiar, with a Lei 256 million market capitalization (recorded on January 4th 2008).

Antibiotice is a solid company,

developed on an enduring economic foundation. Listed within the 1st category of the Bucharest Stock Exchange (BSE) since April 1997, the Antibiotice shares represent a part of the main Romanian market indices (BET, BET-C, BET-XT, ROTX).

The inclusion of Antibiotice Company in the most prestigious world market indices proves the solidity of the company, whose stock evolution is tracked on regional markets, too, such as that in Vienna (Romanian Traded INDEX - ROTX). In 2008, Antibiotice represented a key component also for the Dow Jones indices in New York.

The main shareholders of Antibiotice, at the end of 2008, were AVAS (53,0173%) and S.I.F. Oltenia (10,0954%).



2008 was placed under the sign of change of conditions on the Romanian pharmaceutical market and from the international economic environment, strongly affected by the crisis, which also influenced the company's financial results. For the management of the effects of the crisis, a plan was implemented to reduce material costs and personnel.

Financial results in a difficult economic context

The company's turnover at the end of 2008 reached Lei 215.8 million, comparable with the one accomplished in 2007. The gross profit for the financial year 2008 amounted to Lei 13.3 million.

The difficult conditions from the economic environment and the entry of the world economy into crisis affected our company's activity in 2008. The data that were at the basis of indicators of the Revenue and Expenditure Budget were not spread during the year at levels estimated in substantiation note:

- the exchange rate registered an average value of 3.6827 LEI / EUR (higher than the estimated 3.5 LEI/EUR);
- the prices of Antibiotic medicines were calculated throughout the whole year 2008 at the rate of 3.3298 LEI/EUR, established in June 2007, because the Ministry of Health did not accept the implementation of the provisions of the Order of the Minister of Health no. 612/2002 regarding the adjustment of medicine prices (although for 2008 an 8% correction of the price of medicines in the company portfolio was stipulated, in correlation with the evolution of the exchange rate);
- switching to the prescription per trade name (brand) since March 31st 2008 (from the prescription of generic substance) led, in 2008, to the increase by 20% of the brand product consumption and to the decrease by 7% of the generics market (as opposed to 2007);
- the deterioration of the Romanian economy starting with the 4th quarter of the ended financial year, as a consequence of the world financial-economic crisis.

Financial results

The end of 2008 recorded total earnings of Lei 231.2 million, lower by 3% as compared to those recorded in 2007 when the total income was Lei 237.5 million.

The net turnover reached Lei 215.8 million, out of which Lei 189.8 million (88%) sales on the domestic market and Lei 26 million (12%) sales on foreign markets.

The non-updating of producer prices during 2008 by the Ministry of Health and their keeping at values determined at a currency of Lei/Eur 3.3298, given that on December 31st 2008 the exchange rate was Lei/Eur 3.9852, led to the registration of values of earnings and profit lower by 40,861,310 lei.

Concerning the sold production, this reached Lei 183.5 million and the earnings from the sale of goods amounted to Lei 32.3 million. Most of the revenues from the sale of goods (Lei 31.2 million) represent the value of the medicines from the company portfolio, that were manufactured on dedicated production flows from abroad, according to the requirements of the GMP regulations in force.

As for the costs of operation, throughout the whole year we had in view their decrease and we succeeded in reducing water and energy costs by 3%, as compared to 2007, while prices continuously increased. At the same time, the costs for the distribution of products and for external services decreased by 26%, as compared to 2007.

Raw material expenses, even if they registered a 4% cutting as compared to 2007, reported at the value of the manufactured production, recorded an increase from 22% to 24% as a consequence of the price increases for certain imported raw materials.

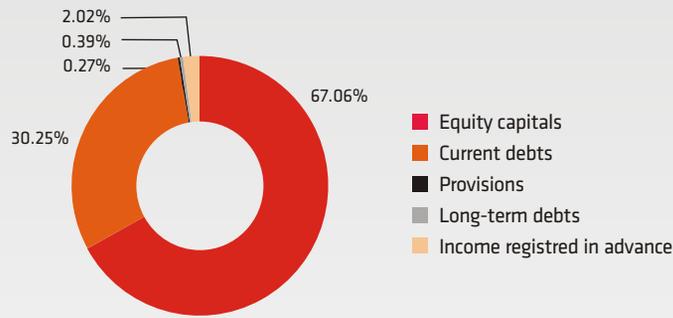
Measures to counteract the effects of the financial crisis

In view of reducing the influences of the economic-financial crisis, including the influence of the national currency depreciation starting with the last quarter of 2008, the Antibiotic Company implemented a comprehensive program to reduce costs. Material and electricity costs were taken into consideration. It was also implemented a program of restructuring staff, which led to the reduction of the number of employees from 1623 at the beginning of the year, to 1516 at the end of 2008. A part of this reduction was achieved by voluntary termination of the employment individual agreement with the company, through compensatory payments.

In the spirit of observing one of the most important accounting principles - the principle of prudence, on December 31st 2008, a number of adjustments and provisions attributed to the expenses of operation, amounting to Lei 10.2 millions, are reflected in the company's accountancy.

The activity development during this financial year on terms less favorable than

Structure of liabilities



in 2007 led to obtaining a Lei 25.3 million operating profit, recording this way an 11% profitability calculated to operating profit.

The operating result corrected with the influences from the financial activity led to obtaining a gross profit of Lei 13.4 million which corresponds to a net profit of Lei 10.6 million.

Under the circumstances of the onset and spread of the global financial crisis, management measures established and applied starting with October 2008 aimed at:

- correlation of production volume with sales volume and of storehouse stocks of the company with those available at domestic distributors;
- rigorous management of all costs from the platform, limiting purchases to a strict minimum;
- implementation of some policies that aimed at improving the situation of returns from the system;
- balance of returns and external payments.

All these had as favorable effect the growth of liquidities so that on December 31st 2008 there was a net cash surplus of Lei 9.8 million, superior as opposed to previous years. The significant improvement of cash inflows in the 4th quarter generated an increase of full-year earnings by 13% as compared to the situation in the previous year.

In carrying out all activities some assets and liabilities were managed and valorized in view of obtaining the best efficiency of use.

Fixed assets increased year by year under the circumstances of investment performance and as a consequence of the registration of reevaluation operations.

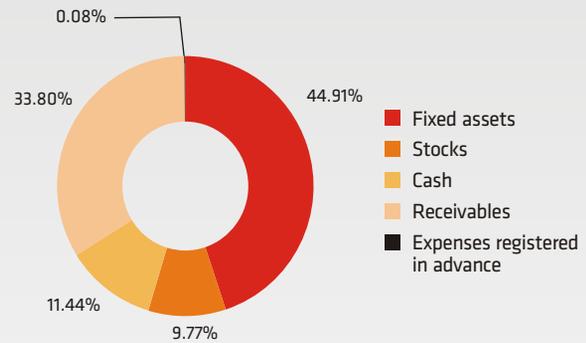
Circulating assets also recorded growth due to increasing activity on the platform. Stock levels fall within normal provisions

for both raw materials and finished products.

The value of receivables keeps the growing trend of last years due to the difficulties regarding the health system. The average duration of receivables collection in 2008 was 253 days as compared to that in 2007, when it was 213 days. The current liabilities of the company increased by Lei 27 million, mainly under the circumstances of the reevaluation of obligations in foreign currency on December 31st 2008, when there were unfavorable differences of currency amounting to approximately Lei 19 million. The indebtedness rate of the Company determined as the ratio between the total debts and equity on December 31st 2008 was of 45%. During 2008 the company paid debts to the state budget amounting to Lei 44.2 million, till December 31st 2008 registering no residual debt to the budget

The level of cash and cash equivalents at the beginning of the period was of Lei 2.16 million. Cash receipts from operating activities amounted to Lei 185.93 million. Cash payments to suppliers of goods and services reached Lei 98.43 million, while those to and on behalf of employees

Structure of assets



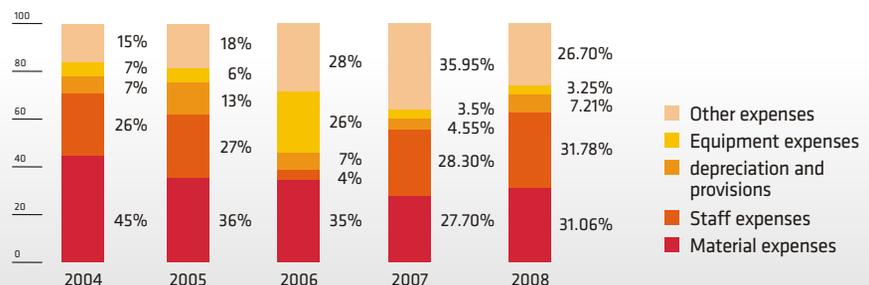
regarding the personnel amounted to Lei 64.71 million. There were also made payments of Lei 10.82 million, representing income tax, local taxes and bank interests.

There were recorded revenues of Lei 0.018 million and payments for the purchase of fixed assets amounting to Lei 6.73 million were made out of the investment activity.

From the financing activity, Lei 1.3 million net value were reimbursed, representing long-term loans and payments amounting to Lei 10.4 million were made, representing dividends and Lei 1.9 million for leasing contracts.

Adopting a rigorous program to reduce costs and improve cash input correlated to a judicious management of cash led to the registration of available cash in bank accounts amounting to Lei 9.8 million.

Structure of operating expenses



Financial data

Intermediary Administration Balance

(lei)	2007	2008
Sales of merchandise	1,164,131	1,093,304
Expenses with merchandise	(783,568)	(801,641)
Commercial margin	380,563	291,663
Sold production	228,251,471	194,584,641
Stored production	3,607,554	(4,412,706)
Fixed production	417,093	437,630
Production of the financial year	232,276,118	190,609,565
Commercial margin	380,563	291,663
Other purchases and external expenses	(124,194,774)	(89,059,692)
Added value	108,461,907	101,841,536
Operational subsidies	–	–
Personnel related expenses	(54,849,217)	(43,382,326)
Tax and fees	(1,618,003)	(1,522,747)
Gross operational excess	51,994,687	56,936,463
Income from operational provisions	10,066,519	5,695,755
Other operational income	2,407,816	1,689,844
Expenses with depreciation and operational provisions	(15,971,903)	(26,337,251)
Other operational expenses	(6,420,057)	(8,903,947)
Operational result	42,077,062	29,080,864
Financial income	1,678,689	4,355,603
Financial expenses	(6,869,401)	(3,362,907)
Current result	36,886,350	30,073,560
Extraordinary income	–	–
Extraordinary expenses	–	–
Gross result of the financial year	36,886,350	30,073,560
Profit tax	(4,430,343)	(6,234,414)
Result of the financial year	32,456,007	23,839,146

Profit and Loss Account

(lei)	2007	2008
Net turnover	229,415,802	215,805,947
Sold production	228,251,471	183,539,145
Income from merchandise sale	1,164,131	32,266,802
Variation of creditor balance sheet	3,607,554	7,600,445
Variation of debtor balance sheet	0	0
Fixed production	417,093	720,460
Other operational income	2,407,816	1,719,289
I. Operational income	235,848,065	226,846,141
Expenses with raw materials and consumables	(52,659,641)	(50,695,514)
Other material expenses	(1,017,009)	(464,610)
Other expenses (with power and water)	(6,735,681)	(6,538,909)
Expenses with merchandise	(783,568)	(11,421,857)
Personnel expenses	(54,849,217)	(64,061,328)
Adjustment of the value of corporeal and incorporeal fixed assets	(8,822,218)	(13,456,994)
Adjustment of the value of circulating assets	(-1,822,815)	(1,067,265)
Other operational expenses	(71,820,503)	(55,053,535)
Adjustment of the risk and expense provision	(-1,094,019)	(-1,260,035)
Operational expenses	(193,771,003)	(201,499,977)
Operational result	42,077,062	25,346,164
Financial income	1,678,689	4,378,166
Current result	(6,869,401)	(16,345,697)
Financial result	(5,190,712)	(11,967,531)
Current result	36,886,350	13,378,633
Total income	237,526,754	231,224,307
Total expenses	(200,640,404)	(217,845,674)
Gross result	36,886,350	13,378,633
Profit tax	(4,430,343)	(2,805,877)
Net result of the financial year	32,456,007	10,572,756

Balance Sheet of the Financial Year 2008*

(lei)	2007	2008
A. Fixed assets		
I. Non-tangible Fixed Assets	1,773,383	1,716,786
Concessions, patents, licenses, trademarks, rights and similar value	1,212,667	545,382
Advances and non-tangible fixed assets in course	560,716	1,171,404
II. Tangible fixed assets	162,316,097	163,556,872
Land and buildings	138,240,577	139,218,185
Technical instalations and machinery	22,330,719	19,989,326
Other installations, equipment and furniture	825,296	912,282
Advances and tangible fixed assets in course	919,505	3,437,079
III. Financial fixed assets	8,198	80,954
Titles as tradeable securities	1,500	60,000
Titles as fixed assets	640	640
Other receivables	6,058	20,314
Fixed assets - Total	164,097,678	165,354,612
B. Circulating assets		
I. Stocks	21,753,839	35,954,431
Raw materials and consumables	9,640,823	1,511,753
Production under development	949,217	959,946
Finished products and merchandise	11,142,161	23,316,013
Advances for stock purchase	21,753,839	165,719
II. Payables	122,326,101	124,449,445
Commercial payables	120,991,568	123,574,633
Other payables	1,334,533	874,812
III. Cash and accounts with banks	36,690,424	42,121,119
Circulating assets - Total	180,770,364	202,524,995
C. Prepaid expenses	422,739	307,795
D. Debts to be paid in one year	84,281,535	111,375,824
Sums owed to credit institutions	51,301,520	70,534,318
Advances collected for orders	-	200,343
Commercial debts	23,725,751	30,660,795
Other debts, including tax debts and debts for social security	7,552,229	9,329,157

	2007	2008
E. Circulating assets, respectively net current obligations	96,911,568	91,456,966
F. Total assets minus current obligations	261,009,246	256,811,578
G. Debts to be paid in more than one year	3,807,056	1,452,827
Sums owed to credit institutions	2,143,556	871,763
Other debts, including tax debts and other debts for social security	1,663,500	581,064
H. Provisions for risk and expenses	2,400,000	1,000,000
I. Prepared income, of which:	8,552,429	7,453,778
Subsidies for investments	8,552,429	7,453,778
Prepaid income	0	0
J. Capital and reserves	78,796,565	90,936,764
I. Capital, of which:		
Paid subscribed capital	45,489,729	45,489,729
II. Reserves from reevaluation	92,774,229	102,639,441
	<u>Credit balance</u>	
	<u>Debtor balance</u>	
III. Reserves	78,796,565	90,936,764???
Legal reserves	8,351,558	9,020,490
Other reserves	66,191,600	61,512,220
IV. Reported results	1,422,451	2,064,785
	<u>Credit balance</u>	
	<u>Debtor balance</u>	
V. Result of the exercise of the creditor balance	32,456,007	10,572,756
Profit allotment	1,844,318	668,932
Total equity capital	246,249,761	246,904,973
Total capitals	246,249,761	246,904,973

*The financial statements according to the IFRS requirements are available on our website: www.antibiotice.ro/investors

Cash flows

(lei)	2007	2008
I. Cash flows from operations		
Cash collection from good sale and service provision	164,292,419	185,296,797
Cash collection from royalties, fees, commissions and other income	156,419	1,685,870
Cash payment to good and service providers	(84,089,838)	(90,426,911)
Cash payment to and in the name of the employees, payments made by the employer regarding the personnel	(54,253,522)	(64,710,059)
Value added paid fee	(2,583,438)	(2,171,416)
Other taxes, fees and assimilated payments	(3,356,599)	(2,061,261)
Cash generated by operation	20,165,441	20,243,021
Collected interests	26,457	61,399
Paid interests	(2,350,911)	(3,321,575)
Paid profit tax	(5,198,888)	(3,263,655)
Net cash flows from operation	12,642,099	(13,719,189)
II. Cash flow from investments		
Cash collection from sale of lands and buildings, instalations and equipment incorporeal assets and other long-term assets	–	–
Cash collection and payment from other investments	955,511	18,055
Cash collection from procuring land and fixed assets, incorporeal assets and long-term assets	(12,161,519)	(6,731,423)
Collected dividends	–	244
Net cash flow from investments	(11,206,008)	(6,744,268)
III. Cash flow from financing		
Collection from long-term loans/paybacks	(905,691)	(1,349,122)
Collection from short term loan/paybacks	10,557,381	14,373,193
Payments for financial leasing operations	(1,258,664)	(1,931,567)
Paid dividends	(10,333,749)	(10,379,499)
Netcash flow from financing	(1,940,723)	713,006
Effects of exchangerate variation afferent to cash and cash equivalences	–	12
Cash flow – Total	(504,632)	(7,687,939)
Cash and cash equivalences at the bigining of the perios	2,662,083	2,157,514
Cash and cash equivalences at the end of the period	2,157,514	9,845,453

Auditors' Report for the General Meeting of Shareholders of Antibiotice SA

We audited the balance sheet of the company Antibiotice SA Iasi (hereinafter called Company) drawn up on December 31st 2008 as well as the profit and loss account, cash flow statement and statement of changes in assets for the financial year that ended on this date. The attached financial statements represent the responsibility of the Company's Management. Our responsibility is, that based on our audit, to express an opinion on these statements.

The company's management is responsible for the elaboration and fair presentation of these financial statements in accordance with OMPF no. 1752/2005 for 'the approval of the accounting regulations in accordance with the European directives'. This responsibility includes: establishing, implementing and maintaining an internal control relevant to the elaboration and fair presentation of these financial statements without the existence of any significant misstatements due to errors or fraud.

We conducted our audit in accordance with the Auditing Standards issued by the Chamber of Auditors of Romania, which are based on the International Standards on Auditing. These standards require the observance of the professional ethics and audit planning and conduct so as to obtain a reasonable level of assurance regarding the absence of significant material misstatements in the financial statements.

The audit consists in performing some procedures to obtain probative evidence to justify the amounts of money and the information contained in the financial statements. The selection of procedures is based on the auditor's professional trial, including the risk evaluation of the existence of significant misstatements in the financial statements no matter whether they are due to error or fraud. For the performance of this risk evaluation, the auditor takes into consideration the internal control relevant to the elaboration and fair presentation of these financial statements with the view of establishing

the audit procedures that are relevant in the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Internal Control System of the Company. The audit of financial statements also supposes the evaluation of the used accounting principles, the reasonableness of the management's estimates as well as the examination of their overall presentation. We believe that the audit provides a reasonable basis to express our opinion.

In our opinion, the financial statements of Antibiotice SA at December 31st 2008 were adequately elaborated in all the significant respects, in accordance with the OMPF No 1752/2005 for the approval of the "Accounting Regulations in accordance with the European directives".

As a result of reviewing the management's report, nothing drew our attention indicating that the information presented in this document are not complying with the financial statements elaborated according to the OMPF No 1752/2005 for the approval of the "Accounting Regulations in accordance with the European directives".

Without qualifying the opinion, we declare the following:

As a result of the reevaluation of tangible assets made on December 31st 2007, the reduction of the net value for certain fixed assets exceeds the relating reevaluation reserve amounting to Lei 1.8 million. As a consequence of this fact, the balance of the differences from reevaluation is undervalued.

The company achieved the reevaluation of its tangible assets using the company specialists. The coefficients of adjustment of the reassessed value contain elements, some of them interpretable in terms of determining the fair value of the tangible assets.

The company has receivables older than

three years from CHPM Impex Ltd. amounting to Lei 1 million. These amounts are guaranteed under a contract of mortgage on land owned by CHPM Impex SRL, a company that is in process of judicial liquidation.

The amount of Lei 2.8 millions representing expenses for bonuses during holidays, for compensation payments, was recorded under the name "costs with donations and grants".

The amount of Lei 1.2 million, representing expenses for the services provided by third parties was recorded under the name "Other operating expenses".

Previously, the company developed its activity in an economy characterized as hyperinflationary. One of the main effects of hyperinflation process leads to loss of comparability of information contained in financial statements. Thus, the expression of non-cash items in historical value leads to the underestimation of the net assets of the Company. Reevaluations made by the Company in previous periods are likely to attenuate the effects mentioned above. The company will elaborate another set of financial statements that will be made available to users, and that will include adjustments of the financial statements in accordance with the International Financial Reporting Standards.

BDO Conti Audit,
Bucharest, April 24th 2009

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