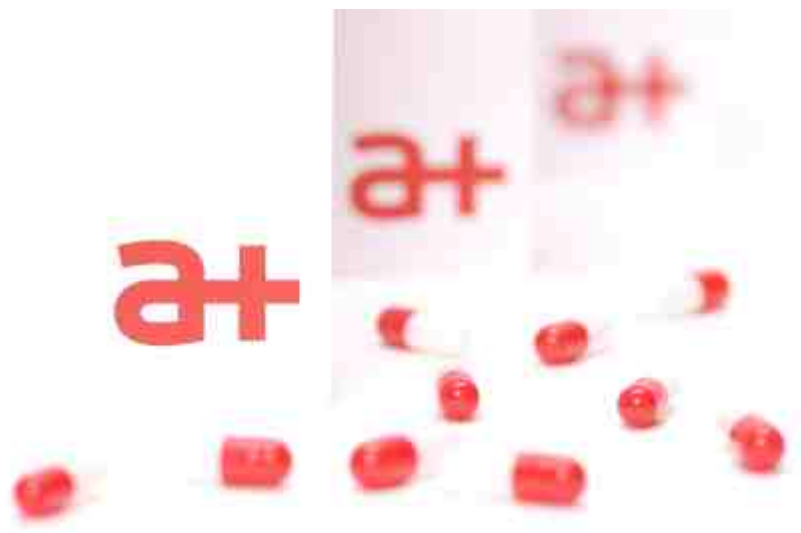


Annual Report
2006



A year under the plus sign



The chairman's statement

2006, a year under the plus sign



It is a great pleasure for us to let you know that, in 2006, Antibiotice made safe and responsible steps towards a continuous and stable development. The special results obtained during this year, in various fields, can be united, with realism as well as with the awareness of the value, under the label "a year under the plus sign". Either we talk about fields such as research-development, quality, production, marketing-promotion and sales, or about the commercial side of the business, all of them represent important investments for Antibiotice. I would call them investments for the future of an organization, which strongly believes in the accomplishment of its mission: that of rendering the hope of recovery to people.

Beyond the effort regarding the investment of over 5 million euro, it is also admirable the human effort to which we all had a significant contribution in order to strengthen the business and to keep the company in the top of the 10 most important pharmaceutical producers in Romania.

The results are visible and they materialized to the end of 2006 in the increase of the turnover to 196 million lei, 20% higher than the anterior year and at the same time the increase of the gross profit to 30 million lei, 27% higher than in 2005, according to the projections that we performed at the end of the previous year. More than that, our effort led to the growth of Antibiotice's attractiveness among the investors on the capital market. And it is important to be aware of the fact that we work in a very modern pharmaceutical company, which is worth approximately 300 million dollars at the Romanian Stock

Exchange, also thanks to the trust that all our more than 55.000 shareholders have in us. Therefore, it is a reason of pride for all of us, the fact that 2006 was a year full of successes, which place it under the plus sign.

Equally, I would like to underline that all this, obliges us to go on with what we have accomplished, in a rhythm at least as sustained and intense as the one we adopted in 2006.

The year 2007 represents to us a new challenge from this point of view. On a European market, extremely competitive and accessible only to those who understand that the rules of the actual game consist in an extraordinary speed of reaction, the visionary construction of the identity and the consequent orientation towards development are essential. This year we are going to finalize the important objectives regarding the environment protection, we will keep investing in new production lines, purchasing licenses for pharmaceutical products of last generation and, equally, investing much enough in the development of the marketing infrastructure, in logistics and professional training.

The reaching, in 2007, of a 234 million lei turnover, 20% higher than that in 2006 and of a 36 million lei gross profit, 21% higher than that of the previous year, represents ambitious goals in a market, which is in a continuous change.

I have the full trust that engaging all our energy and creative power in the plus sign's attendance, we will confirm in 2007 too, that we represent an organization with valuable people and that we are entitled to present our a+ standard, with all the significations that arise from it.

Finally I would like to thank all the employees of Antibiotice for their special implication and work in this company, which forms part of an industry that offers a lot of challenges and satisfactions.

Ec. Ioan Nani
Chairman of the Board
General Manager

Successes

More value, higher performance

Development of Antibiotice's Center for Drug Evaluation

Antibiotice developed its own Center for Drug Evaluation by investing more than one million Euros. The new Center is Good Laboratory Practice (GLP) certified by the National Agency of Medicine and the Good Clinical Practice (GCP) system is implemented.

Implementing the Integrated Management System
Beginning with 2005 Antibiotice started the implementation process of the Integrated Management System: the Quality Management System (ISO 9001:2000), Environment Management System (ISO 14001:2004) and Occupational Safety and Health Management System (OHSAS 18001:1999). The Integrated Management System has been certified at the beginning of 2007 by Lloyd's Register Quality Assurance, proving that Antibiotice produces efficient, safe and quality medicines, protecting the environment and the employees' health and safety.

New products in our portfolio

In 2006 the company put into production two new generation parenteral anti-infective medicines, Cefetamil® (ceftazidim) and AmoxiPlus® (amoxicillinum with acidum clavulanicum) and a medicine recommended for the cardiovascular diseases, Rompirin® E (acidum acethyl salicylicum).

A Modern Waste Water Treatment Station

Our preoccupation for protecting the environment materialized in 2006 by putting into function a new and modern Waste Water Treatment Station. This objective completes the measure programme for implementing the Environment Management System aiming at reducing the impact of the company's activities on the environment.

Registration of the first Community Trade Marks

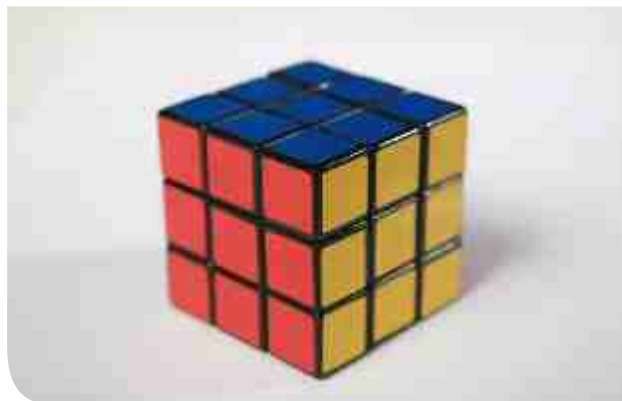
In 2006, Antibiotice succeeded in registering two Community Trade Marks, Eficet® (cefexim) and Cefetamil® (ceftazidim). For Antibiotice, this international certification opens important perspectives for selling the products on the markets of the European Union member states.

Spectacular increase of the market capitalization

The investors who seized the opportunity offered by the maximum level of Antibiotice shares in 2006 obtained a 198% turn on investment, practically doubling the investment made at the end of 2005. This fact influenced positively the value of the company's market capitalization that reached 228 million euros at the end of 2006, almost twice as high compared to the value registered at the end of 2005.

Authorization of the monitoring system of the medicines' safety

The activity for monitoring the safety of the Antibiotice medicines developed by its own Pharmacovigilance



Department and Medical Consultancy was certified by the National Agency of Medicine. This proves that Antibiotice is a company concerned with the permanent monitoring of the efficiency and safety in administration of the medicines from the portfolio. As a result, in May 2007, Antibiotice has been connected to the EudraVigilance system, a body of the European Agency of Medicine, and has become this way the first Romanian company meeting the European standards in the pharmacovigilance field.

Quality recertified by national and international audits
During 2006, the conformity of the Quality Management System was assessed by the National Agency of Medicine, by similar authorities from Germany and Yemen, as well as by the business partners from Europe, Canada and USA. The findings of those 11 audits in 2006 reconfirmed the meeting of the European and American regulatory requirements, this leading to the development of the cooperation relations with traditional partners and penetration of new markets.

Updating the authorization files in CTD format

The documentation for all the medicines authorization files was drawn up again in accordance with the European format CTD (Common Technical Document). The finalization of this project opens new opportunities for selling the Antibiotice medicines on the regulatory markets in Europe and USA.

Antibiotice's presence in prestigious tops

In 2006 Antibiotice was included in prestigious tops elaborated after criteria attesting the performances of the company: first and forth place respectively in the local and national tops made by the Chamber of Commerce "Very Large Enterprises", 100 Best Companies To Work For (Ziarul Financiar) and the presence in the "Successfully Romanian Brands Catalogue" (Săptămăna Financiară).

Successfully implementation of new corporate brand identity

The new corporate brand identity adopted at the end of 2005 was communicated by an ample programme, at national level. This way, our customers, business partners and suppliers, the opinion leaders learned about our mission, vision and values which animate our organization and give it a sense. They understood also the significance of the new corporate logo and the new slogan "Science and Soul".

Company Profile

Close to people, with science and soul



For over half a century, Antibiotice has been restoring people's faith they can regain their health by improving the access to valuable medical treatments of millions of people from more than 40 countries all over the world.

Antibiotice was founded in Iasi in 1955, being the first producer of Alexander Fleming's penicillin in Southeastern Europe.

At present, with a complex portfolio comprising over 120 medicinal products of 11 different therapeutic classes, Antibiotice is the leading manufacturer of anti-infectives in Romania and the only Romanian company in the Top 10 pharmaceutical manufacturers present on the domestic market.

On the internal market, Antibiotice is acknowledged as the leader in the production of injectable medicinal products, ointments, gels and suppositories, as well as the sole manufacturer of active ingredients by biosynthesis.

Certified quality

All the 8 production lines of the company are GMP certified, and the Nystatin manufacturing line is approved both by the US regulatory authority in the field, the Food and Drug Administration (FDA), and European bodies which granted the Certificate of Suitability to the Monographs of the European Pharmacopoeia (COS).

Antibiotice has its own Center for Drug Evaluation authorized to perform clinical trials, and particularly bioequivalence studies, which demonstrate that generic medicines have similar therapeutic effect to and are as safe and effective as the innovative ones.

Portfolio

The company has a broad product portfolio comprising medicinal products for human use (prevalent), medicinal products for veterinary use, active pharmaceutical ingredients, and biological fertilizers.

Antibiotice produces over 120 medicinal products for human use in five different pharmaceutical forms: powders for solutions and suspensions for injection, capsules, tablets, topical preparations (such as ointments, gels, creams) and suppositories.

Antibiotice in figures:

- Supplies medicines to over 400 hospitals in the country, being the most important Romanian producer of anti-infectives;
- Exports medicinal products in more than 40 countries worldwide;
- Second leading producer of Nystatin in the world;
- Is quoted on the Bucharest Stock Exchange on tier I, with a market capitalization of approximately 228 million euros at the end of 2006.

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.

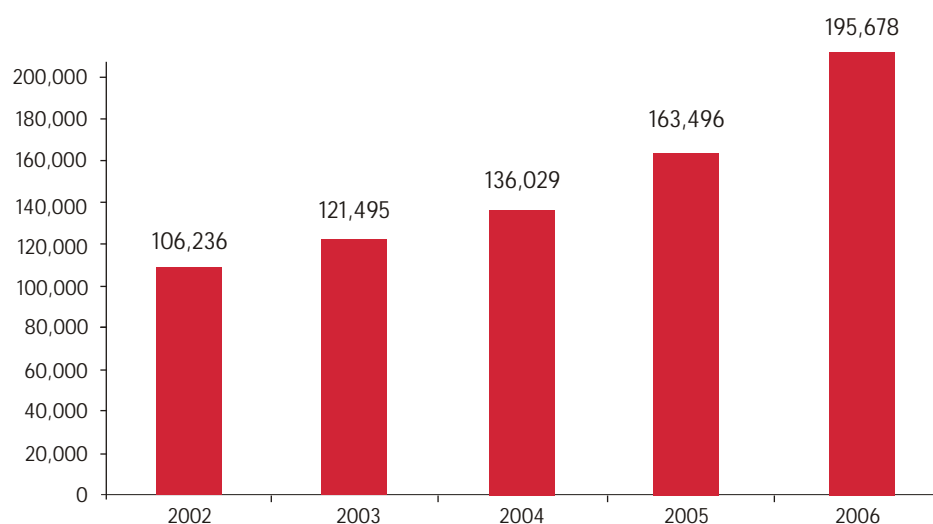
Core values

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

Business development dynamics

(Thousands RON)	2002	2003	2004	2005	2006
Turnover	108,236	121,495	136,029	163,498	195,678
Operation revenues	116,114	120,667	134,648	164,867	193,393
Operation expenses	98,508	102,355	122,904	138,523	164,312
Operation profit	18,103	18,312	16,893	26,344	29,081
Financial revenues	1,209	1,314	3,536	1,653	4,356
Financial expenses	4,881	3,549	2,852	4,272	3,363
Financial profit	(3,672)	(2,234)	684	(2,620)	993
Gross Profit	14,431	16,078	17,577	23,725	30,074
Net profit	11,328	11,863	12,425	19,679	23,839
Number of employees	1,801	1,797	1,753	1,650	1,556
Work productivity	60,098	67,610	77,598	99,090	125,757
Receivables, of which:	61,525	77,775	82,977	98,496	106,592
domestic	54,070	68,425	76,672	94,858	101,290
external	7,455	9,350	6,305	3,638	5,302
Domestic receivables recovery duration (days)	200	231	236	217	216
Bank credits, of which:	17,887	21,424	21,593	29,964	41,395
for operating capital	12,531	16,919	18,986	25,481	39,633
for investments	5,356	4,505	2,607	4,483	1,762

The evolution of the company turnover (2002-2006)



The numbers are in thousands lei

Antibiotice's stock market

High profits for investors



Over 50,000 shareholders watch with interest the evolution of their Antibiotice shares on the stock market. Almost ten years after the first transaction on the Bucharest Stock Exchange, tier I, Antibiotice's shares enjoy an increasing interest from the investors, confident in the market potential of the company.

Evolution of Antibiotice's stock

The year 2006 was an excellent year for investing in shares of Antibiotice, bringing the investors significant earnings. The investors, who availed themselves of the peak reached by Antibiotice's stock, had a return on investment of 198%, practically doubling the investment made at the end of 2005.

The positive economic results of the company in the last years, and particularly in 2006, determined a constant increase in the price of the shares traded on the Bucharest Stock Exchange, from 0.97 lei/share at the beginning of the year, to 1.72 lei/share at the end of 2006. The positive evolution of the shares listed on the stock exchange market is also shown by the fact that the average price per share in 2006 was 13 times higher than 6 years before.

This resulted in a constant increase in the company's market capitalization, which, by the end of 2006, amounted to 782 million lei (228 million euros), about twice the amount reported at the end of 2005 (439 million lei or 120 million euros) and approximately 78 times higher than the market capitalization reported at the end of 2000.

Moments under plus sign

- On October 18, 2006, Antibiotice shares reached the peak value of 1.91 RON due both to the positive evolution of turnover and profit of the company, and the high level of credibility and confidence among the investors in the results of the company. This outstanding leap made the economic

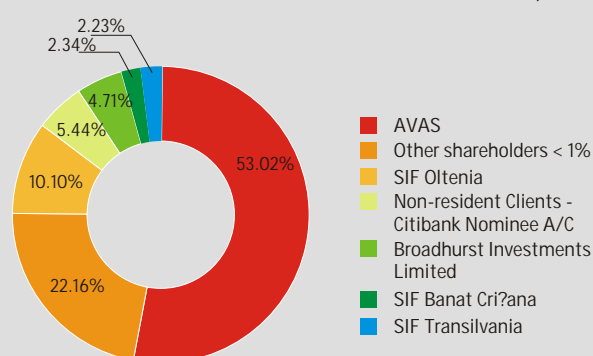
profitability of the investments in Antibiotice shares be extremely high, namely 198%.

- In October 2006, the number of shares traded reached the maximum, i.e. 11,909,718, with an overall traded value of 20.4 million lei (5.8 million euros).
- At the end of 2006, the number of shares traded was 9 times higher than that traded in 2000.

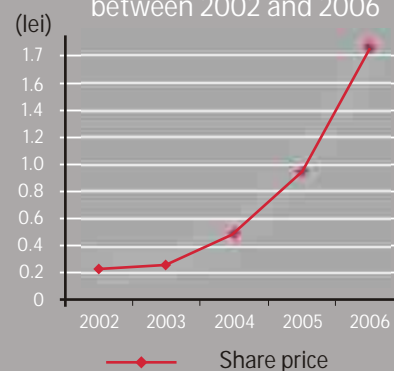
- Antibiotice enters in Top 100 most valuable companies in Romania

In 2006, the excellent evolution of Antibiotice shares on the Stock Exchange, as well as the very good financial results in the last years prompted the company in the chart of the top most valuable companies in Romania, with a market value of 176 million euros. The chart, the first of its kind, was created by the newspaper Ziarul Financiar and included a selection of 100 companies ranked based primarily on market capitalization.

Shareholders' breakdown as of December 11, 2006



Evolution of reference price per share between 2002 and 2006



Evolution of shares 2002-2006

Indicators	UM	2002	2003	2004	2005	2006
Ceiling price	lei/share	0.2950	0.2400	0.5450	1.0100	1.9100
Floor price	lei/share	0.1010	0.1820	0.2250	0.5000	0.9600
Reference price	lei/share	0.2100	0.2250	0.4820	0.9650	1.7200
Average price	lei/share	0.2026	0.2151	0.3301	0.7820	1.5004
Total amount traded	millions	17	10	19	45	76
No. of shares traded		82,096,107	47,590,611	56,722,508	57,444,262	50,434,665

The reference price of Antibiotice share in 2006 is more than 8 times higher compared to the price reference per share in 2002.

Marketing & Sales

Competitive on the domestic pharmaceutical market

We have always been trying to put the life of the patients who have confidence in our medicinal products first.

This marketing policy, assumed by each of us, the people bringing Antibiotice's products closer to the physicians, pharmacists, and patients, is probably the key to success in an extremely competitive market we have been operating on for more than 51 years.



Continual market share increase

Ranked the 9th among the top medicinal product manufacturers active on the Romanian pharmaceutical market, Antibiotice reported for 2006, an increase in the value market share up to 3.21% (from 2.85% in 2004, and 3.17% in 2005).

Antibiotice, the third largest generics producer on the market

On the internal market, Antibiotice is acknowledged as the leading manufacturer of the following pharmaceutical forms: products for injection, topical preparations (ointments, gels, creams), and suppositories.

Owing to its diverse product portfolio, Antibiotice is the 1st in the dermatological segment and the 3rd in the antiinfective one. In Top 10 generics manufacturers, the company holds the 3rd position, with a market share of 7.2%.

In 2006, the evolution of Antibiotice's sales exceeded market rate of growth

In 2006, the strategic marketing policy, sustained by effective sales and promotion programs, led to a domestic turnover of 176 million lei, by 21% higher than the turnover reported in the previous year. The increase, by 2% higher than the average rate of growth of the market, demonstrates the confidence of both the specialists and consumers in the medicinal products made by Antibiotice (see Table 1).

Antibiotice consolidated its position of leading manufacturer of antiinfectives

The antiinfective product portfolio developed for the Hospital segment had a remarkable evolution in 2006, Antibiotice continuing to be recognized on the market as the leader in the manufacturing of antiinfectives. The policy of product portfolio consolidation as well as the enhancement of the consumption of last generation medication were in 2006 the main drivers for the 20% turnover increase in this segment, far more than the average market growth (only 1%).

For the Hospital segment, Antibiotice offers the specialists both traditional products, such as Ampicillin, Oxacillin, Penicillin, antituberculosis drugs, and new generation ones, with high therapeutic value, such as Cefort® (ceftriaxonum), Cefamil® (ceftazidimum), AmpiPlus® (ampycillin with sulbactam), AmoxiPlus® (amoxicillinum with clavulanicum).

The turnover of the medicinal products distributed on the retail channel increased by 20%

In 2006, the sales in pharmacies accounted for 50% of the company turnover, by 20% higher than the previous year. The entire product portfolio is distributed on the retail channel (over 120 products of 11 therapeutic classes). The best-represented therapeutic classes are the antiinfectives Ciproquin® (ciprofloxacinum), Norfloxacin, Erythromycin, Ceforan® (cefadroxilum), Eficef® (cefixumum), antacids (Ranitidine), and cardiovascular system Lisinopril Antibiotice and Simcor® (simvastatinum).

On the retail market, Antibiotice achieved a value increase of 15 million lei as compared to 2005, due to a number of strategic products, such as antacid preparations, oral penicillins, and cardiovascular medication.

32 OTC medicinal products in Antibiotice's portfolio

The turnover accounted for by the OTC drug portfolio, which includes 32 medicinal products, also exceeded the average market growth, increasing by 24%. Some of the OTC products which accounted for a significant share of the sales are classical ointments - Clafen® (diclofenacum), Paracetamol, Novocalmin® (metamizolum natrium), last generation anti-inflammatory agents - Rubifen® (ketoprofenum), Saliform Forte®, Ibufen® (ibuprofenum), nutritional supplements Equilibra® and Fezivit® and dermato-cosmetic preparations Cutaden® and Lavoderm®.

New entries in the product portfolio

Over the last 5 years, the company expanded its portfolio by approaching new therapeutic classes, with an upward trend on the domestic market such as cardiovascular system, central nervous system, genitourinary system, and diabetes oral medication.

In 2006, Antibiotice consolidated its portfolio of products designed for the Hospital segment by adding two new generation parenteral anti-infectives, Ceftamil® and AmoxiPlus®. At the same time, the production of a new medicine recommended for cardiovascular diseases, Rompirin® E started.

Trend of pharmaceutical market vs. evolution of Antibiotice sales
(by consumption and promotion channels, in million lei)

Table 1

Consumption channel	2004 mil. lei		2005 mil. lei		2006 mil. lei		Percentage increase 2006 as compared to 2005	
	Market	Antibiotice	Market	Antibiotice	Market	Antibiotice	Market	Antibiotice
Hospital	1,105	39.3	1,107	48.1	1,112	57.8	1%	20%
Retail	2,161	55.8	2,739	73.6	3,444	88.8	26%	21%
OTC	624	15.8	748	23.8	910	29.4	22%	24%
Total	3,890	110.9	4,594	145.5	5,476	176.0	19%	21%

Source: Cegedim 2004-2006

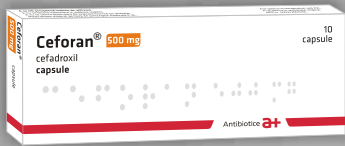
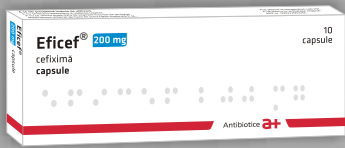



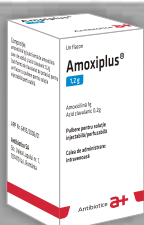
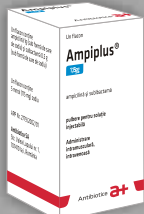
Trend of pharmaceutical market vs. evolution of Antibiotice sales
(by pharmaceutical form, in IU)







Table 2

Pharmaceutical form IU			Quantity (IU)			Value (million lei)		
			2004	2005	2006	2004	2005	2006
Tablets	mil. tabs.	Market	7,107	7,271	7,803	1,802	2,278	2,844
		Antibiotice	197	149	166	29	25	31
Powders for injection	mil. vl.	Market	43	47	44	301	323	323
		Antibiotice	31	35	32	38	56	67
Capsules	mil. caps.	Market	1,065	1,060	1,163	495	567	662
		Antibiotice	83	89	103	18	22	28
Ointments	mil. tubes	Market	23	23	25	100	115	139
		Antibiotice	10	10	11	14	23	37
Suppositories	mil. supp.	Market	103	103	107	34	44	50
		Antibiotice	64	68	65	12	20	22

Source: Cegedim 2004-2006

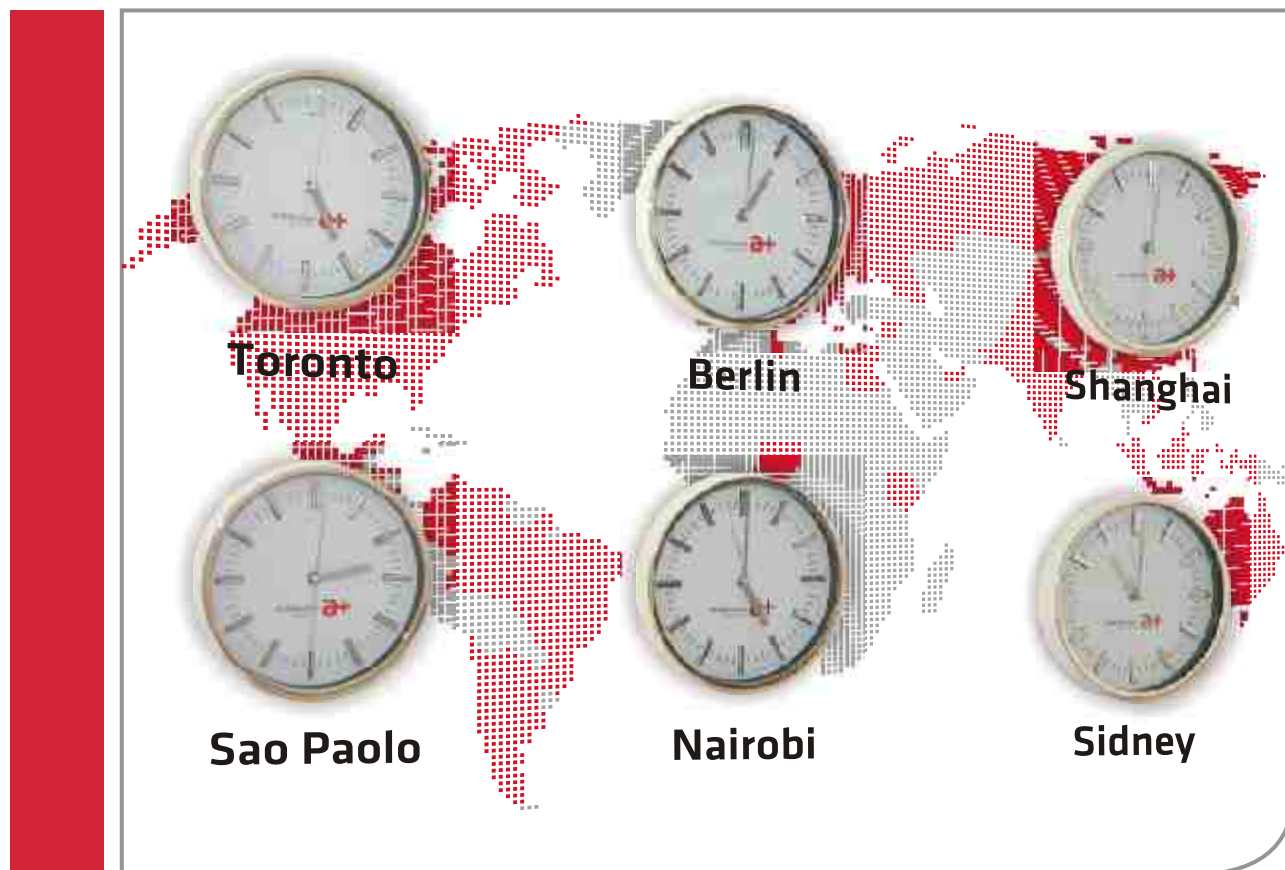
Top products made by Antibiotice

Product name / representation	Therapeutic class	Indications	Sales evolution
	Antiinfectives for systemic use Capsules 500 mg	Cephalosporin indicated in pharyngitis /tonsillitis caused by beta-hemolytic streptococcus; respiratory, urinary, and cutaneous infections	2006/2005 increase + 48,82% 2006 market share 11,54%
	Antiinfectives for systemic use Capsules 200 mg	Cephalosporin indicated in respiratory, ENT, urinary, and genital infections	2006/2005 increase + 83,11%
	Antiinfectives for systemic use Capsules 500 mg	Broad spectrum penicillin indicated in respiratory, digestive, urinary, and genital infections	2006/2005 increase + 36,46% 2006 market share 32,76%
	Antiinfectives for systemic use Capsules 500 mg	Penicillin acting against staphylococci, resistant to beta-lactamase, indicated in respiratory, genito-urinary, and cutaneous infections	2006/2005 increase + 21,45% 2006 market share 32,86%
	Antiinfectives for systemic use Tablets 500 mg	Fluoroquinolone indicated in respiratory, urinary, cutaneous and digestive infections	2006/2005 increase + 105,52% 2006 market share 16,95%
	Antiinfectives for systemic use Vial with powder for injection, 1.2 g	Broad spectrum penicillin indicated in respiratory, digestive, urinary, genital, and osteoarticular infections	New medicinal product
	Antiinfectives for systemic use Vial with powder for injection, 1.2 g	Broad spectrum penicillin indicated in respiratory, digestive, urinary, genital, and osteoarticular infections	2006/2005 increase + 25,64% 2006 market share 99,88%

Product name / representation	Therapeutic class	Indications	Sales evolution
	Antiinfectives for systemic use Vial with powder for injection, 1 g	Cephalosporin indicated in respiratory, urinary, abdominal, and genital infections, in meningitis, and antibiotic prophylaxis in surgery	2006/2005 increase + 14,81% 2006 market share 85,97%
	Antiinfectives for systemic use Vial with powder for injection, 1 g	Cephalosporin indicated in respiratory, urinary, abdominal, and genital infections, in meningitis, infections with <i>Pseudomonas aeruginosa</i> , and antibiotic prophylaxis in surgery	2006 market share 79,73%
	Alimentary tract and metabolism Coated tablets, 150 mg	Antacid indicated in duodenal ulcer, and gastric hyperacidity	2006/2005 increase + 63,91% 2006 market share 55,11%
	Cardiovascular system Tablets 10 mg, 20 mg, and 40 mg	Angiotensin - converting enzyme inhibitor indicated in arterial hypertension, chronic cardiac failure, acute myocardial infarction, conditions post-myocardial infarction, and diabetic nephropathy	2006/2005 increase +36,32% 2006 market share 31,29%
	Cardiovascular system Coated tablets 10 mg and 40 mg	Lipid modifying agent indicated both in patients with known coronary heart disease and in high-risk patients (patients with diabetes, cardiovascular peripheral diseases, cerebro vascular diseases)	New medicinal product
	Alimentary tract and metabolism Capsules, 5 mg and 10 mg	Food supplement indicated in anxiety management, panic attacks, palpitations, stress; prevents tiredness, muscle spasms, numbness; adjuvant in metabolic processes.	New medicinal product

Active in international markets

We are aiming at new markets and strategic partnerships



We are constantly trying to translate into reality our wish of becoming more and more accessible. It is the reason for which we keep consolidating the international business relationships with our traditional partners and identifying new business opportunities in order to make Antibiotice medicines more accessible for the people worldwide.

New markets for the active substance Nystatin

In 2006, Antibiotice kept exporting the active substance Nystatin and the conditioned finished products, in various pharmaceutical forms.

The export turnover was about 6,500,000 dollars. The main product sold on the international markets was Nystatin, active substance obtained by biosynthesis, meaning approximately 85% out of the export value.

One of the competitive advantages of Antibiotice company, decisive for developing the export of Nystatin, is the high quality of this product. Our Nystatin obtained a favorable certification for export granted by the German authorities as a result of the quality audit since November 2006. The audit, compulsory conducted for continuing our deliveries on the EU market, proved once again the value of Nystatin recognized also by the American authorities, FDA (Food and Drug Administration). The active substance Nystatin has also the Certificate of Suitability with the European Pharmacopoeia (COS).

Our efforts for promoting the active substance Nystatin materialized in 2006 by a 15% value and quantitative growth reaching 5.8 million dollars. The main, traditional markets for the active substance Nystatin are Germany, Netherlands, USA, Russian Federation, South America, Vietnam and Kenya.

By offering a product with a complete, high quality documentation elaborated in accordance with the latest International Pharmacopoeias EP 5/ BP 2004/ USP 29, Nystatin produced by Antibiotice penetrated the new regulatory markets. New projects for cooperating on the UK and Australia markets were finalized in 2006 or are in progress.

Micronised Nystatin export doubled in 2006

Used for the manufacture of the oral suspensions the sales volume of the micronised Nystatin doubled, especially due to the increase of the quantities delivered on the USA market. Taking into account that this market is a premium one and the offered commercial terms are particularly profitable, in 2007 new cooperation projects will be fulfilled for establishing some long-term strategic partnerships with end-users of Nystatin on this market.

Medicines produced by Antibiotice promoted on strategic markets

The export of finished products kept growing in 2006. For now, Antibiotice has 45 medicines registered in more than 40 countries. From this category, the last generation anti-infectives have a significant share in the export structure: Cefort® (ceftriaxonum), Ceftamil® (ceftazidimum), AmpipiPlus® (ampicillinum with sulbactamum), Clafen® (diclofenacum), Moldamin® (benzathini benzylpenicillin) or Sinerdol® (rifampicinum).

The export of conditioned products is structured on areas and strategic markets, the main areas of interest being Europe, USA, Russia, CIS and Asia-Africa.

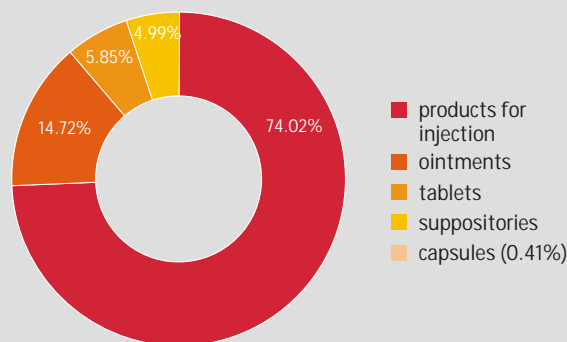
In Europe, according to the EU regulations we started preparing the documentation for four products: Ampicillin, Amoxiplus® (amoxicillinum with acidum clavulanicum), Bisotens® (bisoprololum) and Cefalexin, which are to be registered in the first stage in Hungary, by national procedure. The getting of the Marketing Authorization in Hungary will lead to the extension of the registrations by mutual acknowledgement procedure in other European countries of interest also (Czech Republic and Poland).

The USA market is also a target market for Antibiotice due to its sizes and its degree of economic development. In 2006 a distribution agreement was concluded with the exclusive agent of the company on the North American market for distributing three products for injection on this market.

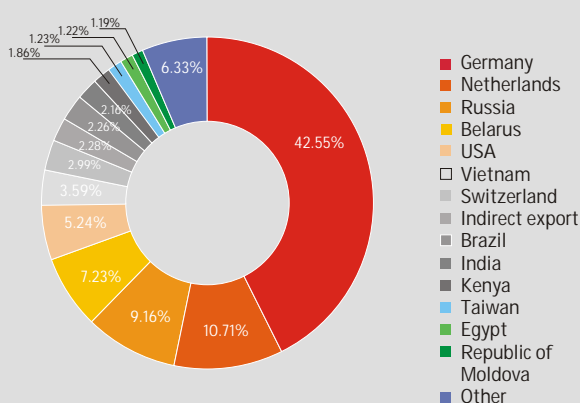
In Asia-Africa area, Antibiotice consolidated its presence on the main markets of interest: Tunisia and Vietnam, in parallel with the initiation of some commercial relations on the new markets: Sri Lanka, Algeria, Saudi Arabia, Morocco. At the same time, we successfully won the tender organized in Tunisia for three products deliveries in 2007. Another important project was the consolidation of the partnership on the Vietnamese market, the sales on this market increasing three times as compared to the previous year.

For the Russian area and CIS the year 2006 meant the intensification of the promotion activity on the main markets of interest: Russia, Armenia, Azerbaijan, Georgia and Uzbekistan. The highest growth was on the markets in Georgia and Azerbaijan, the sales on these two markets amounting to 60% out of the sales in this area.

Export structure by pharmaceutical forms in 2006



Export of Nystatin in 2006



Under plus sign:

Antibiotice is ranked the second Nystatin producer in the world with a 25 % market share, the product being distributed in 30 countries;
Antibiotice has about a 30 year export activity

23 Antibiotice trademarks are registered at international level;
20 products are in progress for their recognition as Community Trade Marks

Quality Management

Quality, safe and efficient products



Throughout 2006, the company aimed at improving the quality of its products on an ongoing basis, as well as assuring their safety and efficiency with a view to consolidating the position of the company on the domestic and international market.

The implementation and certification of the Integrated Management System was the central concern of the Quality Division, by stringently implementing the latest regulatory requirements within the entire company.

Investments to improve product-manufacturing processes

In 2006, to the purpose of improving product quality, investments were made in updating the manufacturing plants, both in terms of facilities and refitting with state-of-the-art, highly automated equipment. The updating strategy had in view primarily the Parenteral Product Plant and Nystatin Plant.

Moreover, investments were made in purchasing appropriate laboratory equipment and apparatus, required for compliance with all the requirements of the European and United States Pharmacopoeias, for both the Quality Control and research activities, as well as acquisition of equipment required by standards specific to the qualification of ventilation systems.

Quality Management requires quality people

To ensure the higher and higher level of specialization required for operating the modern manufacturing and laboratory equipment, the structure of higher education personnel was improved by recruiting pharmacists and chemists with remarkable results during their university studies or outstanding experience in the field. In addition, to keep the specialists in the company well informed with the latest news, regulations, or scientific aspects, they were trained by outside lecturers, mainly FDA or PIC/S members, and specialists and experts from international pharmaceutical companies.

The process of adjustment to the regulatory requirements involved the sustained work of a multi-disciplinary team (Research - Development, Quality Control, Quality Assurance, Regulatory Affairs) focused on submitting with the National Medicines Agency the documentation for approximately 100 products from the company's portfolio in CTD format by the established deadline.

Recertified quality through national and international audits

In 2006, the conformity of the quality management system was assessed by the National Medicines Agency, similar authorities from Germany and Yemen, inspectors from product certification bodies, as well as business partners from Europe, Canada and USA.

The results of the 11 audits conducted throughout 2006 confirmed the compliance with the European and American regulatory requirements, which resulted in acceptance certificate issuance, renewal of certifications, and expansion of the market.

To assure product safety and efficiency, the National Medicines Agency audited the Bioanalytical Testing Laboratory (of the Center for Medicinal Product Evaluation) as well as the Pharmacovigilance department and granted them the appropriate certificates of compliance.

Successful FDA audit

The implementation of the latest US regulatory guidelines was one of the main undertakings of the Quality Unit. Their activity led to the successful completion of the FDA's inspection conducted at the beginning of 2007.

The conclusions of this second FDA inspection were similar to the one conducted in 2002; the inspectors appreciated the remarkable results, had no negative comments, and left blank the FDA Form 483, which show once again the professionalism of the company personnel.

Implementation of the Integrated Management System

Compliance with the regulatory requirements, protection of the surrounding environment and assurance of the health and safety of all employees are prerequisites for achieving the objectives of the company.

Therefore, as far back as the end of 2005, the company implemented the Environment Management System according to ISO 14001:2004 and the Occupational Health and Safety Management System according to OHSAS 18001:1999. The difficulty consisted in integrating the requirements of the two systems in the Quality Management System in place and operating for more than 10 years in conformity with the Good Manufacturing Practice (GMP) regulations, as well as in the Integrated System already certified to the GMP and ISO 9001:2000.

The Integrated Management System was certified to applicable standards by Lloyd's Register Quality Assurance at the beginning of 2007. Antibiotice is one of the few companies in Romania that was granted the certification of the Occupational Health and Safety Management System upon first inspection, and the only pharmaceutical company in the country that has the Integrated Management System certified.

The achievements of the year 2006 - particularly the FDA's approval and implementation of the Integrated Management System - demonstrate once again the value of our specialists and top management whose vision oriented towards high performance shows that, in the quality field as well, Antibiotice is a competitive company both at national and international level.



Technical and Production Unit

New valuable medicinal products on updated manufacturing lines certified to international standards



Millions of units of medicinal products in various pharmaceutical forms and of different therapeutic classes have left the modern manufacturing facilities of Antibiotice to millions of patients in Romania and worldwide. In 2006, driven by the sense of responsibility and acting under the plus sign, we introduced in manufacturing new pharmaceutical products, being at the same time concerned with enhancing patients' access to medicines of high therapeutic value.

With over 50 years of tradition in the pharmaceutical industry, Antibiotice is recognized as the Romanian manufacturer of drug products with the most complex manufacturing. Five different pharmaceutical forms are produced by the 8 manufacturing lines of the company, all modernized and certified to international standards: powders for solutions and suspensions for injection, capsules, tablets, topical use preparations (ointments, gels, creams), and suppositories. The portfolio comprises 120 medicinal products for human use of 11 therapeutic classes.

Moreover, Antibiotice is the only domestic company producing active pharmaceutical ingredients out of the antibiotics class obtained by biosynthesis (Nystatin).

In 2006, the manufacturing facilities of the company, re-certified as meeting GMP requirements, continued their operations with a view both to sustaining the turnover and implementing the integrated management system (quality, environment, occupational safety).

Antibiotice's medicinal products with a new and modern package design

The new corporate brand identity has also been applied to the packaging of company's products. Starting with this year, the products made by Antibiotice have been marketed in a new, modern package, in line with the visual identity of the company. Thus, the quality and value of the products manufactured by Antibiotice are conveyed also visually in both the OTC products and medical prescription ones. The new design includes elements specific to the new logo of the company as well as elements required by the European regulations in the field, such as the bar code or Braille writing, which facilitate consumers' access to information about the products manufactured by Antibiotice.

Optimization of Nystatin production

In 2006, the Biosynthesis Plant team turned to good account the results of international cooperation projects by applying a new technology for Nystatin biosynthesis on industrial scale, which increased the batch production by 85%. In addition, automation of the biosynthesis process was initiated.

The efficiency of the implemented Nystatin technology was reconfirmed at the beginning of 2007 when the US drug regulatory authority, the Food and Drug Administration (FDA) re-approved the manufacturing facility. Moreover, the active ingredient Nystatin has had, since 2005, the Certificate of Suitability to the European Pharmacopoeia (COS), which allows the marketing of the product on the entire European market.

New products at the Parenteral Product Plant

At the Parenteral Product Plant, new active ingredients of last-generation cephalosporin type (e.g. Ceftamil® 0.5g, 1g, 2g, Cefort® 0.5g, 2 g) demanded by clinical specialists were included in the manufacturing of powders for injectable solutions and suspensions. The pharmaceuticals thus obtained have a high therapeutic value and a significant share in the turnover. The parenteral product portfolio was enlarged with the addition of Amoxiplus 1.2 g (combination of amoxicillin and clavulanic acid), also a product with high therapeutic value.

The penicillin product line with an output of 55 million vials/year was updated, and the site areas were refitted and provided with new equipment (water for injection plant, air-conditioning system, oil-free air compressor).

The Capsule Plant conducted its operations on the three separate lines dedicated to penicillins, non-beta-lactams, and cephalosporins, with an enhanced output (350 million capsules/year).

The modernization of the manufacturing facility, completed in 2005, made possible the production of generic medicinal products with enhanced therapeutic value in conditions compliant with the requirements of the European Pharmacopoeia.

New technologies and products at the Tablet Plant

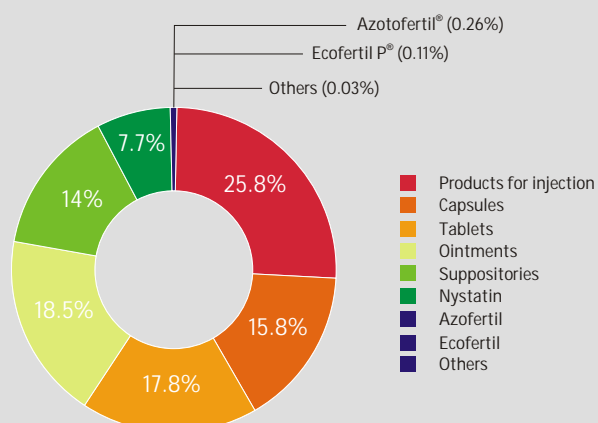
The Tablet Plant continued to improve the processes of tablet manufacturing by wet granulation, as a result of the addition of newly purchased equipment in the production cycle. Moreover, new products were assimilated: Rompirin® E 100 mg (for blood and blood-forming organs) and Etambutol – coated tablets (for tuberculosis therapy).

The Ointment and Suppository Plant continued to improve the manufacturing formulas and production of high quality products, Antibiotice maintaining its leading position in the production of this pharmaceutical dosage form on the domestic market.

Outputs

Capsules/year	350 000 000
Tablets/year	350 000 000
Vials/year	55 000 000
Tubes of cream or gel/year	16 000 000
Boxes of suppositories/year	16 000 000
Kg of Nystatin/year	53 000

Manufacturing breakdown in terms of value



Research - Business Development

We develop new medicines for better health



The responsibility for our medicines obliges us to considerable exigencies, starting from the molecule formulation to post-selling monitoring. After the research made for the pharmaceutical formulation of the medicine, the bioequivalence testing and after the entire production process, the medicine is put on the market but the monitoring of its safety goes on.

Along the entire chain our assumed responsibility is actively manifested ensuring in this way that the Antibiotice products are efficient and safe.

Research and formulation of new products

In line with the market trends, in recent years, Antibiotice focused on the approach of some valuable therapeutical classes, developing its portfolio with new medicines for the cardiovascular system, central nervous system, digestive tract. In 2006 the company put into fabrication two new generation anti-infective parenteral medicines, Ceftamil® and AmoxiPlus®, a medicine recommended for the cardiovascular diseases, Rompirin® E and obtained Marketing Authorizations for other 17 medicines belonging to the anti-infective, cardiologic and central nervous system classes. For producing new, high therapeutical value medicines international agreements for purchasing product licenses were concluded. This is a new direction approached by Antibiotice to complete the portfolio with last generation medicines.

Updating the CTD format files

In the prospective of Romania's integration in the EU, beginning with 2005, Antibiotice started an ample and complex process for updating the authorization documentation in CTD format (Common Technical Document). In 2006 the documentation for obtaining the Marketing Authorization for 97 medicines and 26 files for new medicines (previously submitted to the National Agency of Medicine) were updated in CTD format.

The development of the export of the Antibiotice medicines worldwide determined the continuation of the registration process of the company's medicines abroad. In 2006, 43 files were submitted for registration in: Algeria, Armenia, Jordan, Lebanon, Morocco, Mongolia, Poland, Tunisia, Vietnam and Yemen.

Registration of the first two Community Trade Marks

In the context of the development of the export in the European countries, our intellectual property specialists registered the trademarks Eficef® and Ceftamil® as Community Trade Marks. These medicines are now protected in all EU member states and in any other country, which will become EU member in the future. The registration of another 20 Antibiotice Community Trade Marks are in progress.

Development of Antibiotice's Center for Drug Evaluation

In 2006 Antibiotice invested over one million euros for a modern Center for Drug Evaluation (CDE) for the bioequivalence studies (www.cde-antibiotice.com). Equipped with last generation devices the Center has highly-trained specialists and can accomplish over 25 studies annually. Having the Good Laboratory Practice (GLP) authorization issued by the National Agency of Medicine, the Center implemented the Good Clinical Practice (GCP) system putting at the disposal of the pharmaceutical producers from Romania and abroad the necessary expertise for accomplishing phase I clinical studies. The bioequivalence studies made within the Center prove that the generics produced by Antibiotice have the same therapeutic effect and provide the same safety of administration as the innovative medicines. In 2006, 12 bioequivalence clinical studies were performed and we submitted the final report to the National Agency of Medicine. Sixteen studies in vitro are in progress for the important, new medicines from our portfolio.

Authorization of the monitoring system of the medicines' safety

The permanent monitoring of safety, efficiency and correct use of medicines aims at reducing the decrease of the potential risks for patients and dissemination of some useful information about the medicines produced by Antibiotice. According to the national and European legislation in force, Antibiotice has a pharmacovigilance system monitoring the safety profile of the medicines, audited and certified by the National Agency of Medicine in February 2006. The Pharmacovigilance Department collects, validates, assesses, and reports periodically information about the possible side effects of the medicines produced by Antibiotice and it is entitled to act correspondingly if a change in the benefit/risk ratio occurs.

Conversion to the electronic data system

During 2006 our Pharmacovigilance Department focused on implementing the pharmacovigilance system within the company and on preparing for the conversion to the electronic system for sending data. Thus, Antibiotice is the first Romanian pharmaceutical company registered with EudraVigilance. EudraVigilance is the data processing network constituted by the European Agency for the Evaluation of Medicinal Products (EMA) as a risk management system, by collecting and evaluating the side effects suspected within the development stages and after the obtaining of the Marketing Authorization for the medicines in the European Economic Area (EEA).

Updating of the medical information for the medicines from Antibiotice portfolio

This new opening of the company towards the international efforts for increasing both the individual safety of patients and the public health safety, by a permanent monitoring of the medicines' benefits and risks is accompanied by a development of the means of communication of the information about the medicine: the medical information was updated in 2006 for the entire product portfolio. 176 non-clinical and clinical documentations in CTD format were drawn out for the authorization/re-authorization files of the company's products and for the authorization files of the new medicines, in English and Romanian. The leaflets for patients and the Summary of the Characteristics of Product were updated in European format for 97 products.

Biosynthesis Pilot

More than 250 tons of biofertilizers were manufactured within the Biosynthesis Pilot (Azotofertil and Ecofertil). The research project "Modern technologies for manufacturing statines" co-financed by the Ministry of Economy and Commerce started. The laboratory and pilot works were performed for optimizing the biosynthesis and isolation-purification technologies of statines, for obtaining competitive products for export.

Medicines for which the Marketing Authorization was obtained in 2006

Name of the product	Pharmaceutical form	Therapeutical class
Amoxiplus® 600 mg	Powder for injection solution/perfusion	Antiinfectives for systemic use
Amoxiplus® 1,2 g	Powder for injection solution/perfusion	Antiinfectives for systemic use
Cefuroxima Antibiotice 750 mg	Powder for injection solution/perfusion	Antiinfectives for systemic use
Cefuroxima Antibiotice 1,5 g	Powder for injection solution/perfusion	Antiinfectives for systemic use
Atenolol Antibiotice 50 mg	Tablets	Cardiovascular system
Bisotens® 5 mg	Film-coated tablets	Cardiovascular system
Bisotens® 10 mg	Film-coated tablets	Cardiovascular system
Dipimet® 500 mg	Film-coated tablets	Oral hypoglycemic products
Etambutol 250 mg	Film-coated tablets	Antiinfectives for systemic use
Fluconazol 50 mg	Capsules	Antimicrotics for systemic use
Lisinopril Antibiotice 20 mg	Tablets	Cardiovascular system
Lisinopril Antibiotice 40 mg	Tablets	Cardiovascular system
Simcor® 40 mg	Film-coated tablets	Cardiovascular system
Zolpidem Antibiotice 10 mg	Film-coated tablets	Central nervous system
Fluven®	Cream	Cardiovascular system
Kefungin® 2%	Cream	Dermatologicals
Naftifina Antibiotice 10 mg/g	Cream	Dermatologicals

Engineering and Investment

Value added investments



We operate in a field in which the avalanche of new discoveries and strict requirements of the institutions regulating the pharmaceutical sector demand new and continual investment in updating the manufacturing lines, technologies, research and control laboratories. In addition to the satisfaction given by the accomplished things, we have the certitude we manufacture quality medicinal products and, at the same time, protect the environment and our employees' health and safety. The largest investments in 2006, amounted to 14.4 million lei, were focused on environmental protection, modernization of research and manufacturing processes, in conformity with the requirements for implementing and maintaining the appropriate quality standards taking into account our country's accession to the European Union.

Investments in environmental protection

A significant number of the 2006 investment projects were aimed at implementing the Integrated Management System (quality, environment, occupational health and safety) at all levels within the company. Environmental protection is a subject always in the center of the company's attention, and year 2006 was an extremely important stage in the development of several investments in water and soil protection. In May, a fully automated treatment plant was set to operate for the wastewater resulted from manufacturing processes. All the works performed in relation to this project in the last four years up to plant commissioning amounted to approximately 3 million euros. Still in May, an industrial waste

incineration plant was purchased by tender. The plant, with an output of 50-60 kg/hour and energy recovery, is currently tested for acceptance.

Updating product research and manufacturing processes with a view to implementing and complying with quality standards

In 2006 the investment programme was oriented towards the modernization of the company's production capacities. The eight GMP certified manufacturing lines were modernized as well as the Pharmacodynamics Laboratory, which is one of the most modern units of this kind from the country.

In order to be able to export Nystatin in Germany and other EU countries, the company rehabilitated the final part of the manufacturing line. The classified areas were modernized, the ventilation and air-conditioning system was made again and capital repairs of the main production equipment were made. For developing the finished product export on the markets in USA and Canada the plant for filling in vials the sterile powders for injection was modernized.

The plant was equipped with a modern installation for obtaining water for injection according to GMP and FDA requirements, a centralized system for monitoring temperature, humidity and over-pressures between the classified areas and new fully automated air conditioning devices for the clean rooms, class "B".

The development of the research activity was sustained by investments for finalizing the Center for Drug Evaluation, a total investment of more than 1 million lei. The center has last generation equipment, is GLP certified and implemented the GLP system.

All these investments contributed directly to the successful authorization, at all company's levels, of the Integrated Management System (quality, environment, occupational safety and health) as a result of the audit conducted by Lloyd's Register Quality Assurance at the beginning of 2007.

Commercial and Logistics

Efficient acquisition management by developing sound partnerships



A highly efficient logistics is like a race against the clock: in order to start the production process we must have the necessary raw materials in due time and the medicines we produce must reach the people who need them as soon as possible. The efficient time management and the rhythmic supply, by developing durable and sound partnerships, help us accomplish our mission of producing quality medicines at accessible prices.

Raw material supply

In 2006, according to the manufacturing and maintenance programmes, the Commercial and Logistics Division ensured the technical-material basis by purchasing raw materials, reagents and packages amounting to almost 50 million lei and ensured the transport and selling of our medicines to the customers worldwide.

The quality and accessibility of medicines produced by Antibiotice depend on the prompt acquisition of the best quality raw materials at the best prices. For this purpose we created a database for choosing the optimum solutions regarding the acquisitions any time. According to the European standards that impose the authorization of the raw material supply sources, the Commercial and Logistics Division has created a supplier portfolio, 80% being ISO certified, 71% received our approval based on questionnaires and direct audit and for 29% the re-evaluation is in progress. We concluded long-term partnerships, obtaining this way a constant pace of deliveries, stock optimization and avoiding the blockages. We purchased from the domestic suppliers

raw materials, materials, consumables, IT devices, and packages amounting to 19 million lei. From the external market we bought raw materials and materials totaling 29 million lei, taking into account the quality, price and delivery terms. In 2006, by modern techniques and methods we concluded firm contracts with well-established clauses allowing us to maintain constantly the prices (only a minimum variation is allowed as compared to 2005) to some basic products.

Transport quality

A quality transport of the raw materials leads to the development of the production process in due conditions and the transport of the finished goods worldwide ensures the selling of the medicines to the people who need them. The national licenses were changed with transport licenses for the international traffic. According to the European standards for the environment protection we authorized a 3.5 tons utility van and the attendant has been granted a certificate of professional formation for transporting dangerous substances. In 2006 the process of cutting the expenses generated by our fleet continued. This way we managed to increase the output coefficient of the rolling stock by 1.14 % as compared to 2005. The development of the company's sales force in 2006 led to the development of the rolling stock by purchasing 37 new cars. 2006 was also the year when we started printing the cars with the graphic elements of the new brand identity. By performing the maintenance operations and by ensuring the specialty consultancy with highly qualified staff the price/km indices dropped by 8.4%, saving up about 300,000 lei for the entire fleet.



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Financial-Account
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Farm. Irina DUMISTRACEL, PhD
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Regulatory Affairs Director

Ec. Vasile CHEBAC
Commercial and
Logistics Director

Eng. Florin OSADE
Engineering and
Investment Director

Eng. Cornelia MORARU
Tehcnical and Production
Executive Director

We continually invest in people

People, the most valuable asset of the company Antibiotice



Dedicated to the organization's values, preoccupied by its future, Antibiotice's employees invest professionalism and sustained effort for attaining the high performance and making the accomplishment of the company's mission possible: to give back and protect the health of people.

In 2006, the human resources policy was oriented towards attracting valuable employees and continuous development of their performances. The objectives were reached using a strategy of attracting highly qualified staff and maintaining them within the company by adequate rewarding systems. The company supports its employees to permanently update their knowledge and abilities by means of continuous training programmes.

New valuable specialists are among Antibiotice s employees

At the end of 2006, Antibiotice had 1552 employees, out of which 425 with university education (27%, 8.76% higher as the previous year). In the recent years Antibiotice attracted physicians, pharmacists, chemists, economists, highly skilled people who sustained the ample process of structural and functional re-organization of the company.

A new performance assessment system

In order to involve and motivate our employees, a new performance assessment system has been implemented having a unitary set of assessment criteria for the entire company and being adapted to the requirements of the Management by Objectives (MBO). This facilitates a periodical evaluation of the degree of accomplishing the objectives of the staff involved in MBO, managing to update the rewarding and motivation framework depending on the performance.

MBO system started to be applied in 2005 by establishing the objectives for many employees at the management and at the execution level. The process continued in 2006 with a higher level of involvement based on the understanding and conscious assumption of the objectives as a result of our prior experience.

Job Analysis and Assessment

2006 meant also the finalization of an ample project initiated in 2005, the jobs analysis and assessment within the company s structure. By this project we aimed at identifying the main requirements of a job, the obligations and major activities that must be executed by the person having that job, as well as the determination of the job importance in view of ensuring an internal equity of the rewarding system.

At the same time, attaining professional performances - a premise for the increase of competitiveness and business quality - needs trainings and a continuous development of the personnel. On these lines, our preoccupations materialized in:

■ GMP trainings

Taking into account the legislative and economic changes, the Human Resources Division implemented a project of the staff development with training programmes for every division according to the needs identified for every organizational structure.

Thus, internal speakers from the Quality Assurance Department ensured GMP training, according to the system

procedures, and our specialists ensured the training both for the professional staff with university education and for the undergraduate staff. At the same time, the Human Resource Division organized trainings with external speakers for about 13% out of the professional staff. The external trainings, short-term sessions were especially designed for Quality Assurance, with a special emphasis on the new international guidelines for the pharmaceutical industry: testification of the clinical monitors (GCP) and detection LC-MS and the methods for planning and elaborating the documentation in CTD format according to the European and international regulations. These trainings were conducted by FDA experts and by specialists from universities and faculties and consultancy firms. The employees who attended these courses belong to the following structures: Quality Assurance, Quality Control, Bioequivalence Studies and Evaluation of the medicine, Regulatory Affairs, Research-Development and Production.

Trainings in view of EU integration

Taking into consideration the EU integration, a special emphasis was put on the continuation of the training for implementing the integrated management system in the company as well as of the trainings in the financial, import and export, internal audit and information technology areas. The European integration and the alignment to the EU legislation and procedures impose the continuous development of the employees in all these structures.

Salesforce training

Due to the increase of the sales force and to the diversification of the product portfolio, the marketing and promotion staff benefited by ample training and development programmes. This way the medical representatives benefited from training sessions for gaining promoting abilities and the coordinators of the promoting activities attended training sessions for developing management abilities (coaching).

On-line formation and evaluation center

In 2006 we started the project On-line Formation and Evaluation Center financed through the Phare funds. The programme for promoting the human capital is designed for a continuous formation at distance of the employees and has as a target group the Marketing Promotion staff and final beneficiaries are all the company s employees. The project will be developed in 2007. At the end of this year the company will have the necessary computerized system for the development of this formation programme at distance.

Under plus sign

In 2006, Antibiotice was included in prestigious tops taking into account criteria which attest the company s performances. This way, Antibiotice entered 100 Best Companies To Work For . This recognition proves that our company takes special care of its employees. This classification for Antibiotice was based on the following criteria: the respect for all our employees, the possibilities for career development and the recognition of the professional merits.

Corporate Social Responsibility

Close to people, close to community



As human beings, we care for the people around us, we try all the time to be close to them and we think permanently how to improve the things important to them. Antibiotice was close to community in 2006 as well, offering support both for people and for organizations that needed it. Besides the accomplishment of our company's mission, we strongly believe that, to make young people's dreams come true or support the old when need is also our mission.

We continually invest in the youths' education

As in the previous years, in 2006 Antibiotice was one of the companies which involved itself in supporting the pupils who, due to material reasons, did not have access to an education to the full extent of their potential. Initiated by the local newspaper "Ziarul de la i" six years ago, in a partnership with the School Inspectorate, the Prefecture and the County Council and managed by the Association "Pro Ruralis", this project offers the opportunity to some intelligent children, from poor families, of completing their education to prestigious high-schools in Iasi. Being one of the main social players in Moldavia region, the company Antibiotice sustained this project in 2006 as well by granting the scholarships "Science and Soul" to the children included in the project. Faithful to its creed, involvement in this social programme underlines the company's dedication for science and communicates a definitive feature of our organizational culture: soul warmth.

Help for the supportive people

We know to offer to the local community what we have to, before asking for something. Antibiotice led a campaign to

inform its employees for supporting the Emergency Mobile Medical Service (SMURD). By redirecting 2% out of the income tax afferent to 2005 Antibiotice's employees contributed to the endowment of SMURD Iasi with mobile means of intervention and special devices. The company Antibiotice and SMURD united their forces for the people in need accomplishing in this way their common mission: to save human lives.

We open the door for those who want to learn

We are aware of the role of the community in maintaining our main valuable source: people.

On this line, Antibiotice pays due attention to the support of the pupils and students willing to build a successful professional career in the pharmaceutical industry. The opening of our company towards young people materialized in 2006 by some practice sessions for students from the medical and chemistry schools. We organized also documentation visits within the company and we granted merit scholarships. The policy of recruiting graduates with speciality studies went on.

For people, through people

As human beings, we care for the people around us. Antibiotice has proved that it is really close to people, offering them support when need. By sponsorship actions accomplished in 2006, Antibiotice sustained a series of local and national nongovernmental organizations, which dedicate themselves to the alleviation of the pains of the sick or poor old people.

Investments for a healthy environment

Protecting the environment and efficiently managing the resources means more health for our employees and for the people within our community as well.

The concern with the surrounding environment has always been a priority for Antibiotice. The investments exceeding four million euros made in this area in the last five years demonstrate per se that the concern for a healthier environment has long ceased to be merely a statement of principle.

The sustained effort made to implement the national and European requirements for prevention and integrated control of pollution materialized in the implementation of an Environmental Management System in compliance with the ISO 14001:2004 and SR EN ISO 14001:2005 standards, which was certified in February 2007.

Water protection

In October 2006, following the technical acceptance tests, the most important environmental investment of the company – the industrial waste water treatment plant – was set to work. The project, which was initiated in 2002, amounted to a total of about three million euros (equipment purchasing, commissioning works). Fitted with technology to international standards, the treatment plant managed to reduce the quantity of polluting substances discharged in the city sewer system up to approximately 15 times. Due to the wastewater treatment plant, the impact on water became insignificant, thus meeting the quality requirements for discharging wastewater in the sewer systems of cities.

Soil and subsoil protection

The commissioning of the water treatment plant meant for Antibiotice a step ahead in implementing the Environmental Management System. A second important step in this direction was the acquisition and installation of an environmentally friendly plant for the incineration of industrial waste, including hazardous one. The investment in the incineration plant, which mounted to approximately one million euros, demonstrates the company's ongoing concern and care for environmental protection. The plant can destroy up to one ton of industrial waste resulted from manufacturing processes on a daily basis.

Air protection

By 2010, Antibiotice intends to implement an action program, which includes the best available techniques of reducing solvent emissions. To the purpose of receiving the integrated environment authorization, the company formulated an action plan to reduce solvent emissions by revamping Nystatin production facility. This will substantially improve air quality parameters.



Financial Highlights

Plus profit

The financial ratios registered in 2006 reflects as well the placing of the Antibiotice's activity under plus sign. The turnover totaled 195.7 million lei, an increase of 19.68 % as compared to 2005.

The gross profit of the past fiscal year was 30.07 million lei, being by 26.75% higher than the gross result reported in the previous year, obtaining an economic profitability of 15.37% shown by the gross profit and turnover.

The operational income was 193.39 million lei, being made out of:

- Sale of products – 194.6 million lei
- Sale of merchandise – 1.09 million lei
- Other income – 2.3 million lei

Analyzed within their structure, the operational expenses for 2006 underwent no significant changes as compared to the previous year. The main weight is held by the group of raw materials and materials, representing 28.21 % out of the operational expenses, a slight reduction as compared to 2005.

Reduction of expenses with raw materials and utilities

The reduction of raw material expenses is largely due to the manufacturing structure but also to the reduction of the purchasing price of the raw materials from import, as the exchange rate got lower.

As the turnover increased compared to the previous year by 32.18 million lei, in 2006 we see a cut down in the raw material expenses by 2.52 million lei.

Compared to 2005 the utility consumption reduced as follows: by 28% for methane gas, 26% for electricity and by 32% for water. The savings made with the utilities came as a result of last years' investments in the air, steam and cooling production installations.

Operational income increased by 17%

On December 31, 2006 the operational result was 29.10 million lei, 11% higher than the previous year. The operational profitability reached 14.86 % compared to 16.11 % in 2005.

The financial income was 4.3 million lei, a significant value obtained from the favorable differences of exchange rates afferent to the receivables and obligations in foreign currency.

The financial expenses were 3.40 million lei, out of which expenses with bank interests afferent to credits were 2.1 million lei and negative differences of exchange rates amounted to 1.30 million lei.

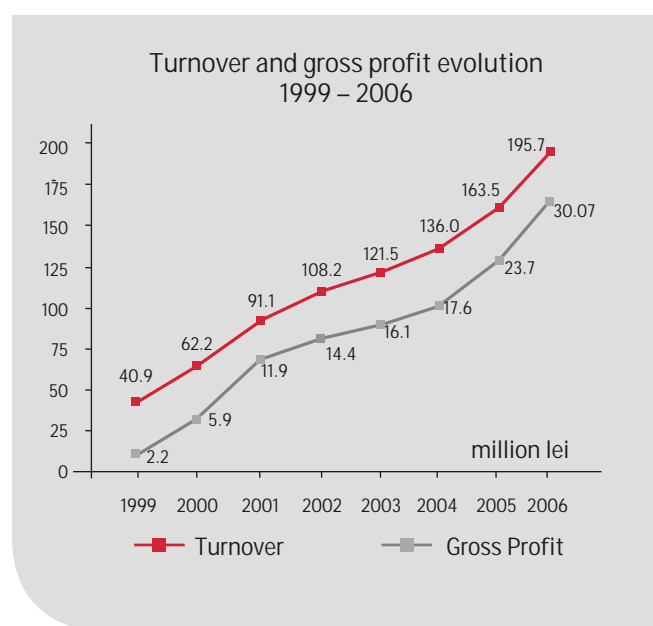
Net profit increased by 21.14% as compared to 2005

At the end of 2006 the company obtained total income of 197.70 million lei and total expenses of 167.70 million lei respectively. Hence, it resulted a gross profit of 30.10 million lei, a 26.76% rise as compared to 2005. After the calculation of the profit tax, the company reported a net profit of 23.8 million lei, by 21.14% higher as compared to the previous year. The net profit was distributed according to the provisions of the Government Ordinance no. 64/2004.

The main items of assets and liabilities

The fixed assets were up 24.76% as the new fixed assets were commissioned, new investments were made and a reevaluation of the fixed assets was performed according to International Accounting Standards.

The circulating assets were up 21.75% mainly as a result of an increase of the receivables from 98.5 million lei to 106.6 million lei against the background of inventories value reducing from 22.2 million lei to 18.30 million lei.



Cash Flow influenced by Payback Difficulties

The commercial receivables and, first of all, due receivables from medicine distributors were a problem for Antibiotice in the last years. Although asked about it, the Ministry of Health, the National House of Health Insurance and the Ministry of Finance found no solution to settle this matter. Therefore, the company cash flow in 2006 was negatively influenced; the same as in the last years, by the failure to allot in due time the financial funds to the sanitary system. The current debts recorded a 26.2% increase, the absolute value of debts that must be paid within a year being 68.70 million lei.

On December 31, 2006 the company had paid all the budget obligations. During the past fiscal year, the company paid to the state budget obligations amounting to 27.10 million lei.

The debt ratio increased by 1%

The debt ratio of the company (determined as a relation between total debts and equity capital) was 40.2% on

December 31, 2006, the percentage for the previous year being 39.2%. Therefore, the debt ratio increased by 1% in 2006 as compared to the previous year.

Book Net Asset, higher by 23.32%

The company equity capital (book net asset) increased by 23.32% from 143.60 million lei in December 2005 to 177.10 million lei in December 2006.

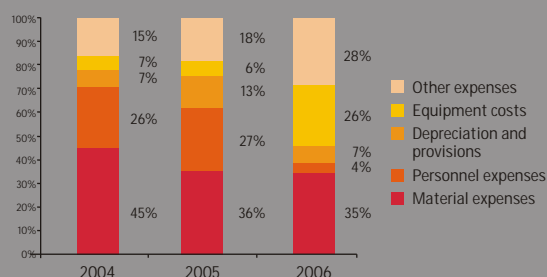
Quick Ratios Appreciated

The financial-economic policies adopted in 2006 determined the improvement of the company quick ratios. Therefore, the general quick ratios leveled off at 2.3 and the immediate quick ratios increased from 1.9 in 2005 to 2 in 2006.

Economic - Financial Indices

Elements	31.12.2005 mil. lei	31.12.2006 mil. lei	%
Fixed assets	85.6	106.79	+24.75%
Circulating assets	126.2	153.60	+21.71%
Current Debts	54.4	68.66	+26.21%
Long-term debts	1.8	2.55	+41.67%
Risk provisions	3.6	3.50	-2.78%
Income registered in advance	8.4	8.90	+5.95%
Own capitals	143.6	177.06	+23.30%

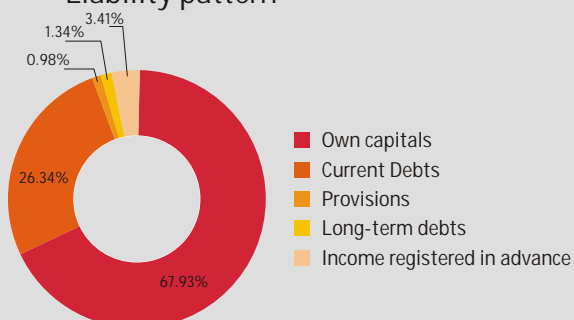
Breakdown of the operational expenses



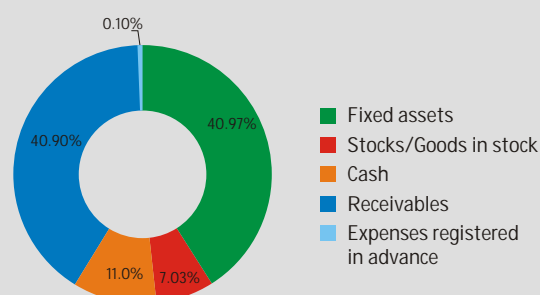
The actual encashment made by the company during the year was 144,776,191 lei, out of:

from operations	132,015,614 lei
from investments	1,329,840 lei
from financing	11,430,737 lei

Liability pattern



Asset pattern



Balance Sheet of the Financial Year 2006*

(RON)	2005	2006
A. Fixed assets		
I. Non-tangible Fixed Assets	520,512	936,819
Concessions, patents, licenses, trademarks, rights and similar values	112,688	883,311
Advances and non-tangible fixed assets in course	407,824	53,508
II. Tangible fixed assets	85,068,645	105,848,204
Lands and buildings	55,999,055	84,196,576
Technical installations and machinery	16,934,476	19,869,249
Other installations, equipment and furniture	382,894	536,409
Advances and tangible fixed assets in course	11,752,220	1,245,970
III. Financial fixed assets	7,106	8,198
Titles as marketable securities	1,500	1,500
Titles held as fixed assets	640	640
Other receivables	4,966	6,058
Fixed assets - Total	85,596,263	106,793,221
B. Circulating assets		
I. Stocks	22,225,818	18,333,107
Raw materials and consumable	8,525,313	9,177,085
Production in course	2,048,397	1,626,013
Finished products and merchandises	11,525,635	7,364,619
Advances for stock purchase	126,473	165,390
II. Payables	98,496,131	106,591,713
Commercial payables	95,080,890	105,161,725
Other payables	3,415,241	1,419,988
III. Cash and accounts with banks	5,437,188	28,670,254
Circulating assets - total	126,159,136	153,595,074
C. Prepaid expenses	65,338	248,653
D. Debts that have to be paid in more than one year	54,405,204	68,662,036
Sums owed to credit institutions	28,329,962	39,633,252
Advances collected for orders	4,911	36,588
Commercial debts	17,969,446	17,459,200
Other debts, including tax debts and other for social security	8,063,709	10,002,270

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

(RON)	2005	2006
E. Circulating assets, respectively net current obligations	71,819,222	85,181,691
F. Total assets minus current obligations	149,006,512	183,101,563
G. Debts that must be paid in more than one year	1,825,211	2,547,890
Sums owed to credit institutions	1,634,250	1,761,697
Other debts, including tax debts and other debts for social security	190,961	786,193
H. Provisions for risk and expenses	3,600,813	3,494,019
I. Prepaid income, out of with:	8,409,022	7,660,604
Subsidies for investments	8,408,973	8,873,349
Prepaid income	49	0
J. Capital and reserves	60,368,353	75,048,082
I. Capital, out of witch:		
Paid subscribed capital	45,489,729	45,489,729
II. Reserves from reevaluation	<u>Credit balance</u> 30,027,368	46,419,363
III. Reserves	60,368,353	75,048,082
Legal reserves	5,003,562	6,507,240
Other reserves	55,364,791	6,618,075
IV. Reported result	<u>Credit balance</u> 7,695,038	10,102,480
V. Result of the exercise of the creditor balance	<u>Credit balance</u> 19,678,661	23,839,146
Profit allotment	19,678,661	23,839,146
Total equity capital	143,580,488	177,059,654
Total capitals	143,580,488	177,059,654

Intermediary Administration Balances

(RON)	31.12.2005	31.12.2006
Sale of merchandise	1,226,573	1,093,404
Expenses with merchandise	(807,664)	(801,641)
Commercial margin	418,909	291,663
Sold production	162,271,174	194,584,641
Stored production	84,400	(4,412,706)
Fixed production	199,708	437,630
Production of the financial year	162,555,282	190,609,565
Commercial margin	418,909	291,663
Other purchases and external expenses	(72,785,126)	(89,059,692)
Added value	90,189,065	101,841,536
Operational subsidies	-	-
Expenses with the personnel	(37,663,125)	(43,382,326)
Taxes and fees	(795,254)	(1,522,747)
Gross operational excess	51,730,686	56,936,463
Income from operational provisions	4,131,299	5,695,755
Other operational income	1,085,174	1,689,844
Expenses with depreciation and operational provisions	(22,220,278)	(26,337,251)
Other operational expenses	(8,382,516)	(8,903,947)
Operational result	26,344,365	29,080,864
Financial income	1,652,932	4,355,603
Financial expenses	(4,272,442)	(3,362,907)
Current result	23,724,855	30,073,560
Extraordinary income	-	-
Extraordinary expenses	-	-
Gross result of the financial year	23,724,855	30,073,560
Profit tax	(4,046,194)	(6,234,414)
Result of the financial year	19,678,651	23,839,146

Profit and Loss Account

(RON)	2005	2006
Net turnover	163,497,747	195,677,945
Sold production	162,271,174	194,584,641
Income from merchandise sale	1,226,573	1,093,304
Variation of creditor balance stocks	84,400	0
Variation of debtor balance stocks	0	4,412,706
Fixed production	199,708	437,630
Other operational income	1,085,174	1,689,844
I. Operational income	164,867,029	193,392,713
Expenses with raw materials and consumables	(48,867,197)	(46,350,619)
Other material expenses	(843,608)	(900,854)
Other expenses (with power and water)	(8,197,793)	(6,950,340)
Expenses with merchandises	(807,664)	(801,641)
Expenses with personnel	(37,663,125)	(43,382,326)
Adjustment of the value of corporeal and incorporeal fixed assets	(15,027,772)	(11,778,682)
Adjustment of the value of circulating assets	(660,394)	(8,969,608)
Other operational expenses	(24,054,298)	(45,284,573)
Adjustment of risk and expense provisions and regulated provisions	(2,400,813)	(-106,794)
Operational expenses	(138,522,664)	(164,311,849)
Operational result	26,344,365	29,080,864
Financial income	1,652,932	4,355,603
Financial expenses	(4,272,442)	(3,362,907)
Financial result	(2,619,510)	992,696
Curent result	23,724,855	30,073,560
Total income	166,519,961	197,748,316
Total expenses	(142,795,106)	(167,674,756)
Gross result	23,724,855	30,073,560
Profit tax	(4,046,194)	(6,234,414)
Net result of the financial year	19,678,661	23,839,146

Cash flows

(RON)	2005	2006
I. Cash flows from operations		
Cash collection from good sale and service provision	137,207,264	132,015,614
Cash collection from royalties, fees, commissions and other income	5,081,669	1,468,242
Cash payment to good and service providers	(78,252,582)	(81,471,434)
Cash payment to and in the name of the employees, payments made by the employer regarding the personnel	(38,706,156)	(42,986,957)
Value-added paid fee	(675,658)	(370,546)
Other taxes, fees and assimilated payments	(3,830,853)	(3,987,584)
Cash generated by operation	20,823,685	4,667,335
Collected interests	22,404	36,607
Paid interests	(1,302,652)	(1,785,976)
Paid profit tax	(5,095,243)	(4,611,750)
Gains/losses from extraordinary items	-	-
Net cash flows from operation	14,448,194	(1,693,784)
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	1,103,844	1,329,840
Cash collection from procuring land and fixed assets, incorporeal assets and long-term assets	(16,966,396)	(10,110,424)
Collected dividends	89,100	-
Net cash flow from investments	(15,773,452)	(8,780,584)
III. Cash flow from financing		
Collection from long-term loans/paybacks	1,875,537	(267,096)
Collection from short-term loans/paybacks	6,495,982	11,697,833
Payments for financial leasing operations	(717,015)	(664,918)
Payd dividends	(1,757,399)	(3,372,600)
Net cash flow from financing	5,897,104	7,393,220
Effects of exchange rate variation afferent to cash and chas equivalences	(325,937)	306,044
Cash flow - Total	(4,245,909)	(2,775,105)
Cash and cash equivalences at the beginning of the period	1,191,279	5,437,188
Cash and cash equivalences at the end of period	5,437,188	2,662,083

Auditor's Report

[1] We have audited the balance sheet of the company Antibiotice SA (hereinafter referred to as the Company) as of December 31, 2006, as well as the profit and loss account, cash flows and changes in the assets made over the financial period ending on the above-stated date. The accompanying financial statements are the responsibility of the company management. Our responsibility is to express an opinion on these financial statements based on our audit.

[2] Except as discussed in the following paragraph, we conducted our audit in accordance with the Auditing Standards issued by the Chamber of Romanian Financial Auditors, which are founded on the International Audit Standards, and we consequently used tests of the accounting records and other audit procedures, as we considered appropriate under those circumstances. The specified audit standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. Auditing the financial statements also includes the assessment of the accounting principles used and the evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

[3] In the third quarter of the financial year 2006, the company changed its policy of finished product distribution, and included in the advertising and promotion costs the expense with the services provided by the distributors, without specifying separately the trade discounts given to the distributors.

[4] In our opinion, except for some adjustments that might have been necessary had we been able to make certain of those mentioned under paragraph [3] above, the financial statements of Antibiotice S.A. are presented fairly, in all material respects, in conformity with the Ministry of Public Finance Ordinance 1752/2005 for the approval of "Accounting regulations according to the European directives".

[5] The management's report is in accordance with the annual financial statements.

[6] Moreover, we would like to indicate the following:

- Based on the financial inspection report drafted on June 1, 2006, the company reported the amount of 1,367,484 RON as costs with debits and increases in the debts to the state budget, out of which 1,206,596 RON are costs corresponding to previous years. As indicated by the Letter 2675/ 25.07.2006, Antibiotice protested the amount of 1,110,606 RON. By the decision 2/11.01.2007, the protest amounting to 778,297 RON was dismissed.

- The amount of 3.1 million RON representing expense with compensations, allowances and other personnel-related expenses was included under Expenses with donations and subsidies.

- The balances of suppliers and bills receivable are reduced by 1.5 million RON representing bills receivable endorsed which



have not come to maturity yet, thus leading to the lowering both of the on-balance sheet assets and liabilities.

- The company operated in the previous periods in an economy characterized by hyperinflation. One of the main effects of a hyperinflation process is the loss of comparability of the information contained in the financial statements. Thus, expressing non-monetary items as historical values leads to the under valuation of the net assets of the company. The reevaluations performed by the company during the previous periods are likely to attenuate the above-mentioned effects. The company will prepare a new set of financial statements, which will then be made available for the users of such statements. The new set will include adjustments to the financial statements in conformity with the provisions of the IAS 29 - Financial Reporting in Hyperinflationary Economies.

- The comparative financial statements were prepared in conformity with the Ministry of Public Finance Ordinance 94/2001, which is the legal basis in force for the reports on the financial year 2005. This may affect the comparability of the financial statements. For instance, under Accounts receivable, the deferred profit tax amounting to 1,366,767 RON (as of December 31, 2005) was not acknowledged as an asset as of December 31, 2006, but transposed to the reported result distributed as of December 31, 2006.

BDO Conti Audit
București, 23 Martie 2007

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